

EVERY TUESDAY

Business and the law

Aircraft leasing

Matrix Churchill

Surveys

The week in Luxembourg and why the UK is so expensive

GPA's struggle to raise funds

Anatomy of a shambles

Computers in finance

Environmental management

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Section IV

# FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY NOVEMBER 10 1992

D8523A

## UK defence sales policy to Iraq under scrutiny

The British government faced calls for an inquiry into its policy of selling defence equipment to Iraq in the run-up to the Gulf war after the trial of three directors of machine tool exporter Matrix Churchill collapsed. They had been charged with breaching export controls. It was claimed that four ministers in the Margaret Thatcher government were involved in a "secret policy" to promote British exports of defence-related equipment to Saddam Hussein's regime. Page 18

**RVI likely to shed jobs:** Government-owned French truckmaker Renault Vehicules Industriels is expected shortly to announce up to 2,500 job losses - nearly 15 per cent of the workforce, emphasising the depth of recession in the world truck industry. Page 19

**Refinery blasts kill five in Marseilles:** Five people died and another was seriously hurt when explosions, believed caused by a gas leak, ripped through the Le Meda oil refinery (left) near Marseilles in southern France. More than 250 firemen took three hours to put out the fire which followed. The refinery is the second largest owned by French oil company Total.



**Black takes Southern stakes:** Conrad Black, Canadian proprietor of Britain's Daily Telegraph newspaper, has become the largest single shareholder in Southern, Canada's biggest newspaper chain, by agreeing to buy for C\$250m (US\$208.8m) a 33 per cent stake previously held by Torstar, another Canadian publishing group. Page 19

**Continental deals:** Continental Airlines, US carrier operating under Chapter 11 of the US bankruptcy code, accepted a \$450m investment proposal from Air Canada, larger of the two main Canadian carriers. Page 19

**ICI invests in Taiwan:** Britain's biggest manufacturer, Imperial Chemical Industries, opened a \$150m (\$222m) plant in Taiwan to produce terephthalic acid, which is used to manufacture polyester for textiles, bottles and films. The facility is the biggest investment in Taiwan by a foreign group. Page 4

**Hong Kong reforms condemned:** A group of prominent Hong Kong business people called on governor Chris Patten to stop proposals for democratic reform in the colony. Page 15

**Chevron to lose 1,500 staff:** Chevron Corp of San Francisco is to shed 1,000 jobs at its headquarters, to save \$200m a year, and a further 500 at its information technology unit.

**Satellite contract for Russia:** A 65-nation international co-operative, awarded Russia its first contract - worth \$30m - to place a western-built satellite in orbit. Page 18

**Treaty signed:** UK prime minister John Major and Russian president Boris Yeltsin buried the legacy of cold war suspicion, pledging a new era of co-operation and signing the first comprehensive treaty between the two countries for two centuries. Page 3

**Big advance at Reliance:** Fast-growing Indian chemicals and textiles conglomerate Reliance Industries reported a 119 per cent rise in sixth-month net profits to Rs1.82bn (\$64m), due to rising sales and higher earnings from financial investments. Page 21

**Tokyo budget delayed:** Japan's supplementary budget, planned to prevent the economy falling into recession, was delayed when the ruling Liberal Democratic party failed to agree a timetable for discussion with the main opposition parties. Page 5

**Bad news for Irish PM:** The first opinion poll of the Irish election campaign showed voter satisfaction with the government at 23 per cent. The personal rating of prime minister Albert Reynolds has dropped 50 percentage points in two weeks to 30 per cent. Page 2

**Crackdown on guerrillas:** Colombia's government said it would cancel contracts with companies which paid protection money to the country's guerrilla groups. Some 17,000 people have died in four years of political violence. Page 7

STOCK MARKET INDICES	STERLING
FT-SE 100: 2,885.4 (-7.3)	New York: 1,0185 (1,829)
Yield: 4.47	London: 1,2151 (1,537)
FT-SE Eurotrack 100: 1,042.47 (+4.18)	DM: 2,415 (2,45)
FT-Air-Share: 1,276.44 (-0.28)	FF: 1,315 (1,285)
Market: 16,417.05 (-452.78)	DM: 2,415 (2,45)
New York: 1,0185 (1,829)	FF: 1,315 (1,285)
Dow Jones Ind. Ave.: 3,240.87 (+0.51)	Y: 188.25 (188.0)
S&P Composite: 418.59 (+1.01)	E index: 78.2 (78.0)

US RATES	DOLLAR
Federal Funds: 7% (7.25)	New York: 1,0185 (1,829)
3-mo Treas Bill Yld: 3.135% (3.115)	DM: 2,415 (2,45)
Long Bond: 9.4% (9.4)	FF: 1,315 (1,285)
Yield: 7.725% (7.75)	DM: 2,415 (2,45)

LONDON MONEY	STERLING
3-mo Interbank: 7.5% (7.5)	New York: 1,0185 (1,829)
Libs long off bill: Dec 182 (101.3)	DM: 2,415 (2,45)

NORTH SEA OIL (Average)	STERLING
Brent 15-day (Dec): \$18.25 (182.5)	New York: 1,0185 (1,829)
Oil 40s: 122.00 (122.0)	DM: 2,415 (2,45)

NEW YORK COMEX (Nov)	STERLING
Gold: \$332.1 (332.1)	New York: 1,0185 (1,829)
Silver: \$5.45 (5.45)	DM: 2,415 (2,45)

ASIAN STOCKS	STERLING
Australia: 3,800 (3,800)	New York: 1,0185 (1,829)
Bahrain: 1,250 (1,250)	DM: 2,415 (2,45)
Bangladesh: 1,250 (1,250)	FF: 1,315 (1,285)
Burma: 1,250 (1,250)	DM: 2,415 (2,45)
Ceylon: 1,250 (1,250)	FF: 1,315 (1,285)
China: 1,250 (1,250)	DM: 2,415 (2,45)
Colombia: 1,250 (1,250)	FF: 1,315 (1,285)
Czech: 1,250 (1,250)	DM: 2,415 (2,45)
Denmark: 1,250 (1,250)	FF: 1,315 (1,285)
Egypt: 1,250 (1,250)	DM: 2,415 (2,45)
France: 1,250 (1,250)	FF: 1,315 (1,285)
Germany: 1,250 (1,250)	DM: 2,415 (2,45)
Greece: 1,250 (1,250)	FF: 1,315 (1,285)
Hong Kong: 1,250 (1,250)	DM: 2,415 (2,45)
India: 1,250 (1,250)	FF: 1,315 (1,285)
Indonesia: 1,250 (1,250)	DM: 2,415 (2,45)
Italy: 1,250 (1,250)	FF: 1,315 (1,285)
Japan: 1,250 (1,250)	DM: 2,415 (2,45)
Korea: 1,250 (1,250)	FF: 1,315 (1,285)
Malaysia: 1,250 (1,250)	DM: 2,415 (2,45)
Mexico: 1,250 (1,250)	FF: 1,315 (1,285)
Norway: 1,250 (1,250)	DM: 2,415 (2,45)
Philippines: 1,250 (1,250)	FF: 1,315 (1,285)
Poland: 1,250 (1,250)	DM: 2,415 (2,45)
Portugal: 1,250 (1,250)	FF: 1,315 (1,285)
Romania: 1,250 (1,250)	DM: 2,415 (2,45)
Saudi Arabia: 1,250 (1,250)	FF: 1,315 (1,285)
Spain: 1,250 (1,250)	DM: 2,415 (2,45)
Sri Lanka: 1,250 (1,250)	FF: 1,315 (1,285)
Singapore: 1,250 (1,250)	DM: 2,415 (2,45)
South Africa: 1,250 (1,250)	FF: 1,315 (1,285)
Sweden: 1,250 (1,250)	DM: 2,415 (2,45)
Switzerland: 1,250 (1,250)	FF: 1,315 (1,285)
Taiwan: 1,250 (1,250)	DM: 2,415 (2,45)
Thailand: 1,250 (1,250)	FF: 1,315 (1,285)
Turkey: 1,250 (1,250)	DM: 2,415 (2,45)
UAE: 1,250 (1,250)	FF: 1,315 (1,285)
UK: 1,250 (1,250)	DM: 2,415 (2,45)
USA: 1,250 (1,250)	FF: 1,315 (1,285)
Vietnam: 1,250 (1,250)	DM: 2,415 (2,45)
Yemen: 1,250 (1,250)	FF: 1,315 (1,285)
Zimbabwe: 1,250 (1,250)	DM: 2,415 (2,45)

## Gatt chief Dunkel to intervene in farm subsidies dispute with US

# Europe split over trade row

By David Gardner in Brussels and Frances Williams in Geneva

A FIRM Anglo-German alliance last night beat back a French move for early reprisals against the US in the looming trade war with the US.

This coincided with intervention in the dispute by Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade. Mr Dunkel decided to go to Brussels and Washington within the next few days to press the EC and the US to resolve their dispute over European oilseed subsidies and to reconvene talks on world trade liberalisation in Geneva.

At a meeting of foreign ministers in Brussels, the French urged that the EC begin preparing reprisals against the US threat to levy punitive tariffs on \$300m of European exports on December 5.

Instead, a majority of ministers called for urgent resumption of

negotiations with the US. Only Spain, Belgium, Portugal and Greece rallied to the French call for a muscular response to Washington.

However, most of the 12 agreed that EC counter-retaliation would be inevitable if the US goes ahead with its sanctions after the 30-day waiting period it has set.

The EC ministers expressed "severe disappointment at US threats to withdraw, unilaterally, Gatt-bound concessions" while trade talks are still going on in Geneva. The ministers warned "that such action could only lead to a retaliatory spiral, which would damage both sides through a slump in business confidence and lost jobs."

Senior EC diplomats said last night the European Commission in Brussels would be told at its meeting tomorrow to bury its internal differences over who negotiates for the Community in the trade affair.

Mr Ray MacSharry, EC agricul-

ture commissioner, last week relinquished his responsibility for negotiating the farm chapter of the Uruguay Round of trade talks because he felt Mr Jacques Delors, Commission president, was undermining him by siding with France.

"Tomorrow's meeting could be a showdown between Mr Delors and Mr MacSharry."

"There is urgency about getting [the talks with the US] going," a UK presidency official said. "Let us say that there will be urgent disappointment if [after Wednesday] they haven't sorted themselves out."

French officials would not be drawn formally on whether Mr MacSharry had exceeded his mandate - as Paris and Mr Delors have claimed - in the deal he was close to reaching at last week's ultimately abortive negotiations in Chicago.

Mr Bruno Durieux, French trade minister, said "we do not want the Gatt agreement to go

any further than the effort demanded [in farm subsidy cuts] by the reform of the Common Agricultural Policy."

Mr MacSharry maintains he has kept within the CAP reform's projected cutbacks in subsidised food exports. But Mr Durieux said yesterday this remains "to be confirmed."

The Commission yesterday undertook to demonstrate whether the price and production cuts the 13 agreed in May for the CAP reform fit within any eventual Gatt deal.

Mr Dunkel's intervention came after ambassadors to Gatt met in an informal meeting with him yesterday that they wanted him to talk to the two trading powers urgently.

At today's emergency meeting of the Trade Negotiations Committee, the top-level supervisory body for the Uruguay Round of trade liberalisation talks, Mr Dunkel is expected to be given a formal mandate to sound out the

US and EC on getting the Geneva talks restarted.

The hope is that this will increase the pressure on the two trading blocs to come to terms over oilseeds before the US-imposed sanctions deadline of December 5 and, if necessary, bring their broader dispute over farm subsidies back into the scope of the multilateral negotiations.

The breakdown of the US-EC farm subsidy talks in Chicago last week and subsequent threats of an escalating trade war have infuriated other countries involved in the 106-nation Uruguay Round.

Trade officials in Geneva yesterday expressed bitterness that the US and EC had failed to take the necessary political decisions to resolve their differences and pave the way for a successful completion of the round.

Background, Page 4  
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## UK prime minister criticised over failure to ratify European union treaty



Douglas Hurd: no final date for UK approval of treaty

## Mitterrand attacks UK delay over Maastricht

By David Buchanan in Paris and Lionel Barber in Brussels

PRESIDENT Francois Mitterrand strongly attacked Prime Minister John Major last night for delaying Britain's decision on ratification of Maastricht until well into next year.

His unusually strong assault came as British and Danish ministers met with limited success in Brussels in efforts to soothe the nerves of EC partners who are alarmed over the future of the Maastricht treaty.

Mr Douglas Hurd, Britain's foreign secretary, asked other EC ministers to take in good faith the UK's goal of speedy ratification.

But he avoided giving a final date for wrapping up the treaty in the House of Commons. The French president, in a television interview, said that he would be content to give the UK government "a delay of a few weeks" after January 1, 1993 - the original target date for treaty ratification - "but not more."

Expressing confidence that 10 countries would ratify the European union treaty by the end of the year, Mr Mitterrand said if

was "unacceptable" for Mr Major to delay British ratification until after Denmark had held a second referendum on the issue in May at the earliest.

The French president's strong stance bodes trouble for Mr Major at next month's Edinburgh summit, though Mr Mitterrand said in his television interview last night that he still thought the UK leader would "stick to his word."

Clearly hoping for a further change of tack on the UK prime minister's part, Mr Mitterrand said "one should not prejudice the final decision of Mr Major, who only a short time ago seemed to say that Britain would deliver its verdict before January 1."

"I judge it [the UK delay] badly," said the French president, "but one should not be surprised. On all the big European agreements in recent years, we have had the same sort of difficulties with Britain."

Yet, as for instance with the 1986 European Single Act, the UK

had joined in eventually.

Indirectly, Mr Mitterrand was even more scathing about Denmark. For Britain to make the timing of its decision dependent on the Danes was unacceptable, "because this could last as long as the Danes would wish it."

In this circumstance, "the Danes would be masters of the decision of Europe...this is not acceptable either," he said.

After the Brussels meeting, Mr Hurd said the UK's decision to delay ratification until after a second Danish referendum, likely next May, had met with "some anxiety, but considerable understanding."

Britain's difficulties with ratification - coupled with Denmark's demands for exemptions from the Maastricht treaty - have created considerable uncertainty about the Community's future.

Belgian and French officials both suggested yesterday that

Continued on Page 18

## MCC liquidators reject \$1.2bn offer for US business

By Raymond Snoddy

MR ROBERT BASS, the Texas billionaire whose 1988 investment prompted Mr Robert Maxwell to increase his bid for Macmillan, is leading a new \$1.2bn offer for the US publisher and for Official Airline Guides. The two companies are the main US businesses of Maxwell Communication Corporation.

Price Waterhouse, the MCC administrator, has rejected the offer by Mr Bass and other investors, claiming that it can raise more money for creditors by selling the companies separately.

In 1988, Mr Bass cleared an estimated \$75m after bidding for Macmillan and then pulling out after Maxwell increased his offer to \$2.6bn. Although asset sales later recouped part of the purchase price, it was a "victory" that put Maxwell on the road to ruin. He paid \$750m for OAG at about the same time.

The latest offer involves \$750m in cash, with the balance coming from assuming commercial liabilities such as OAG preferred stock and a mortgage on Macmillan's New York headquarters.

The Bass-led investment group is pushing for a direct meeting

with the steering committee of banks such as Credit Lyonnais and Chase Manhattan, which effectively own MCC, and has set a two-week deadline from November 6.

Earlier this year, Price Waterhouse said it believed the best way to raise the maximum amount of money for MCC creditors, owed around \$1.5bn, was to split the business.

OAG is to be sold, a process that has already begun, and the Macmillan publishing businesses floated sometime next year.

The administrators said they hoped the sale of the US businesses would bring in between \$700m and \$1.1bn net of tax and other charges. The \$1.2m Bass offer includes such commercial liabilities.

Mr Alan Jamieson, joint administrator, confirmed yesterday that there had been an approach from parties interested in purchasing the whole group.

The approach, Mr Jamieson said, is "so much at the bottom end of our expectations" that they were not going to be diverted from their strategy of breaking up the group.

The group had been allowed to state its case to J.P. Morgan, the

investment bank which is Price Waterhouse's US adviser.

The investor group is led by Acadia Partners, a \$1.7bn investment partnership which includes Mr Bass and Keystone, formerly the Robert M. Bass group. It includes Bain Capital, Bear Stearns and DLJ Merchant Banking.

It has committed \$200m of equity capital and Chemical Bank says it will underwrite \$300m in credit and provide working capital. DLJ and Bear Stearns have expressed confidence that the remaining \$300m needed to finalise the deal can be raised.

Neither Acadia Partners nor Keystone would comment yesterday but they argue that delay is leading to a deterioration of the Maxwell businesses in the US. A letter to the banks also argues that the market for public offerings in the US has softened dramatically and that significant tax problems could flow from a break-up of Macmillan.

Read International, soon to become Reed Elsevier, the under bidder for OAG last time, recently publicly indicated that it would put in a new bid for the travel information business.

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# SUN HITS EARTH 4PM TODAY!

Earth-shattering news will be announced by Sun Microsystems at 16:00 hours today as their new Computers and Servers are released from camouflaged sites. At 16:01, Morse Computers release a fact-filled but concise Executive Briefing, with 1-page Executive Summary for the really busy.

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## NEWS: EUROPE

## Move to oil wheels of single market

By Andrew Hill in Brussels

BRITAIN will try today to accelerate plans to make the single European market, due to come into force next January 1, both efficient and user-friendly.

At today's meeting of internal market ministers, Mr Richard Needham, UK trade minister responsible for the internal market, will present his counterparts with a series of ideas, including calls for:

- Commission proposals to ensure the smooth running of the market;
- regular reports on implementation, which might embarrass laggard member states into turning EC legislation into national law;
- greater transparency, and an improved contacts between EC members to deal with complaints and problems.

Britain, the current Community president, will also suggest that an analysis of the effectiveness of the internal market should be carried out in 1996. British officials yesterday described it as a "Cecil report Mark Two" - a reference to the 1988 analysis of the benefits of market integration which helped underpin the Commission's single market proposals.

Some countries (said to include Spain and Italy) believe it may be too early to make such plans while member states and Brussels are still discussing subsidiarity, the principle that EC decisions should be taken at the lowest appropriate level.

The resolutions are supposed to be complementary to the recent Sutherland report on implementation, which recommended improvements to consumer rights, streamlining of EC law and enforcement of directives through national courts. A fuller response to that report will be in the first half of 1993.

Mr Peter Sutherland, the ex-commissioner who chaired the report committee, is among many who fear that a strong and fair internal market will be undermined if member states use the pretext of subsidiarity to assert their own national interests over those of the Community.

Ministers will also try to reach agreement today on two long-awaited and much-debated measures which will allow cross-border movement of cultural goods, and the free movement of pharmaceuticals.

## Delors scales down EC revenue plans

By David Gardner in Brussels

THE EUROPEAN Commission moved to avert another damaging row within the Community yesterday by scaling back its plan to increase revenue by a third over five years, suggesting instead a smaller rise over seven years.

Mr Jacques Delors, Commission president, made his more modest proposal in line with sharply downgraded EC growth projections. The new plan is designed to meet objections by the richer northern countries, while still satisfying the aspirations of the poorer countries - Spain, Portugal, Ireland and Greece - which had been promised a doubling of fiscal transfers under the original proposals.

The Commission's move comes as the 12 face simultaneous crises on the Uruguay Round trade talks and ratification of the Maastricht treaty

on European union. Member states' approval of the so-called Delors II package was being seen as a test of political will among the 12.

A majority of the 12 foreign ministers meeting in Brussels yesterday agreed that the new plan had a reasonable chance of being hammered into a deal at the Edinburgh summit next month.

The main discordant reactions yesterday were towards a UK presidency draft conclusion for the summit, saying that midway through the period covered by the revised plan, "economic and social cohesion... will increasingly depend on the application of sound economic policies, and decreasingly rely on structural transfers".

Mr Delors in effect put back on the table a revised version of the compromise he withdrew, amid some acrimony, at the Lisbon summit in June.

The original Delors II package called for an increase in the EC budget from Ecu6.6bn now to Ecu 27.5bn (£70.7bn) in 1997, at today's prices. The new plan would raise the budget to Ecu20.2bn in 1997 - an increase of barely 21 per cent - and only Ecu26.2bn by 1999.

The revised seven-year package would begin with two flat years, with EC spending adjusted downwards in line with increases in Community growth of 1.1 per cent this year, 1.4 per cent next year and an estimated 2.2 per cent in 1994. The original package assumed five years' growth at an average of 2.5 per cent.

If the revised package is accepted, less will go to farm spending and nearly Ecu1bn will be switched from the proposed increase in research and development spending to keep the EC's "cohesion" effort funded at this level.



An autograph hunter causes some merriment at a ceremony in Berlin yesterday to grant honorary citizenship to former Soviet President Mikhail Gorbachev (left), former US President Ronald Reagan and Chancellor Helmut Kohl (centre) to thank them for bringing down the Berlin Wall. Also in the picture is Mr Gorbachev's wife, Raisa, and Berlin's mayor, Mr Eberhard Diepgen.

## UK-Russia treaty lays the ground for wide co-operation

By Anthony Robinson, Robert Maitland and Richard Lambert in London

BRITAIN and Russia yesterday turned their backs on the legacy of Cold War suspicion and signed a new bilateral treaty pledging peace, friendship and wide-ranging co-operation.

The treaty, signed at Downing Street by Mr Boris Yeltsin, Russia's first democratically elected president, and Mr John Major, the British prime minister, was the first such document since the 1766 Alliance of

Amity and Commerce with Czarist Russia.

The two leaders also signed five other agreements covering fields as diverse as a new telephone hot-line between Downing Street and the Kremlin, and measures to improve economic and military co-operation and the safe transport of nuclear weapons destined for destruction.

Later, Mr Yeltsin called on British businessmen to increase their involvement in the emerging Russian market economy and pledged to speed

up payments owed to British exporters, with priority for smaller companies. He also told his City audience at the Stock Exchange that Russia needed help to reschedule its foreign debt. Until now discussions on debt rescheduling have focused on debt incurred before January 1, 1991. Mr Yeltsin asked creditors to move the cut-off point to December 8, 1991, the formal demise of the Soviet Union.

So far, both government and commercial bank holders of the former Soviet Union's estimated \$70bn-\$80bn foreign debt have been reluctant to include debts contracted in 1991 in any agreement. Germany, in particular, made large loans in this period to help finance homes for Soviet troops leaving east Germany and to prop up Mr Mikhail Gorbachev.

Mr Yeltsin said his government planned to cut value added tax from 28 to 20 per cent in January and reduce profits taxes. Although Russia still faced huge problems, "the worst of our economic problems are now behind us" he said, referring to the wave of privatisations and market reforms. "Not everyone has strong nerves. But we do have patience, commonsense and the ability to learn how to live a normal economic life."

The president, who faces a bruising political struggle with conservatives over both economic and foreign policy at next month's session of the Congress of Peoples Deputies, appeared heartened by the warmth of his reception in London. "We agreed on everything, on economic, financial,

political, ecological and military fields, everything," he said, thanking Mr Major for his "profound understanding of Russia and its reforms".

In the economic sphere the two sides agreed to set up a UK-Russian inter-governmental steering committee on trade and investment, in which businessmen would be directly involved. Mr Major said several big contracts for UK companies were "looking promising".

John Brown, the engineering company is "to go ahead with some urgency" in a venture

with Gazprom, the Russian gas enterprise, to build a polyethylene complex at Novy Urengoi with support from the ECGD which, Mr Major said, now has £280m available to support trade with the former Soviet Union. Gazprom in turn is expected to place orders with Rolls Royce for replacement gas turbines and spares for gas pipeline transmission. ECGD support was also pledged for a new Moscow airport terminal at Domodedovo, and the Comstar telephone modernisation project.

## Need for finance is key element in pact

THE AGREEMENT on economic co-operation, signed by British and Russian ministers yesterday, lays down a new formal framework for the promotion of co-operation between the two countries, writes Robert Maitland, Diplomatic Editor.

In particular, the two parties acknowledge the significance of financing - including providing medium and long-term credits - for "steady and effective" economic co-operation. In the framework of national rules and international arrangements, they agree to provide export credits on "mutually favourable terms". They also recognise the importance of the development of infrastructure, including both national and international transport and communications systems. Companies and organisations will be encouraged to participate in projects to improve the infrastructure, including co-operation in securing funding from international organisations.

Each party agrees to provide legal protection for investment by nationals of the other country in accordance with the 1989 Agreement for the Promotion and Reciprocal Protection of Investments.

## Croats cut Serb supply link

By Laura Silber in Belgrade

CROAT forces yesterday cut off the vital supply route linking Serb-held territories in Bosnia-Herzegovina and Croatia with Belgrade, the Serbian and federal capital.

Belgrade Radio said the Croats had severed the land corridor running across northern Bosnia from Belgrade to Banja Luka, military headquarters of Bosnia's Serbs. The radio also said Moslem fighters had cut off a main road running south to Pale, the Serb stronghold just east of Sarajevo, the Bosnian capital.

Despite earlier ceasefire agreements between Serb and Croat forces, which control some 25 per cent of Bosnia-Herzegovina, fighting yesterday intensified around Croat-held Mostar and Serb-controlled Nevesinje in southern Bosnia.

Croatian Radio claimed Croat and Moslem forces had moved the front line deep into Serb-held territory.

In Belgrade, Mr Radovan Karadzic, the Bosnian Serb leader, yesterday announced a plan to end the war in Bosnia by freezing current front lines.

While the Geneva Conference on Yugoslavia has rejected the partition of Bosnia along ethnic lines, Mr Karadzic said the former Yugoslav republic had ceased to exist. "This war is no longer being waged for the division of Bosnia-Herzegovina, because it has already been divided between the Serbs and Croats," he said.

The leader of the self-proclaimed Serb Republic, which covers some 70 per cent of Bosnia, appeared confident Serb forces could preserve their territorial gains even in peace.

## NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT

The Director General of Electricity Supply (hereafter referred to as "the Director"), pursuant to section 11(2) of the Electricity Act 1989 (c.29) (hereafter referred to as "the Act") hereby gives notice as follows:

(1) He proposes to make a modification by the insertion of two additional Conditions (13 and 14) into the licences which have been granted under Section 6(2)(a) of the Act to Scottish Hydro-Electric Plc and Hydro-Electric Energy Ltd to the same effect as Conditions 13 and 14 in the licence granted to Unilever U.K. Central Resources Ltd on 14 October 1991 under Section 6(2)(a) of the Act except that in both Conditions "15 October 1994" shall be replaced by "30 November 1995".

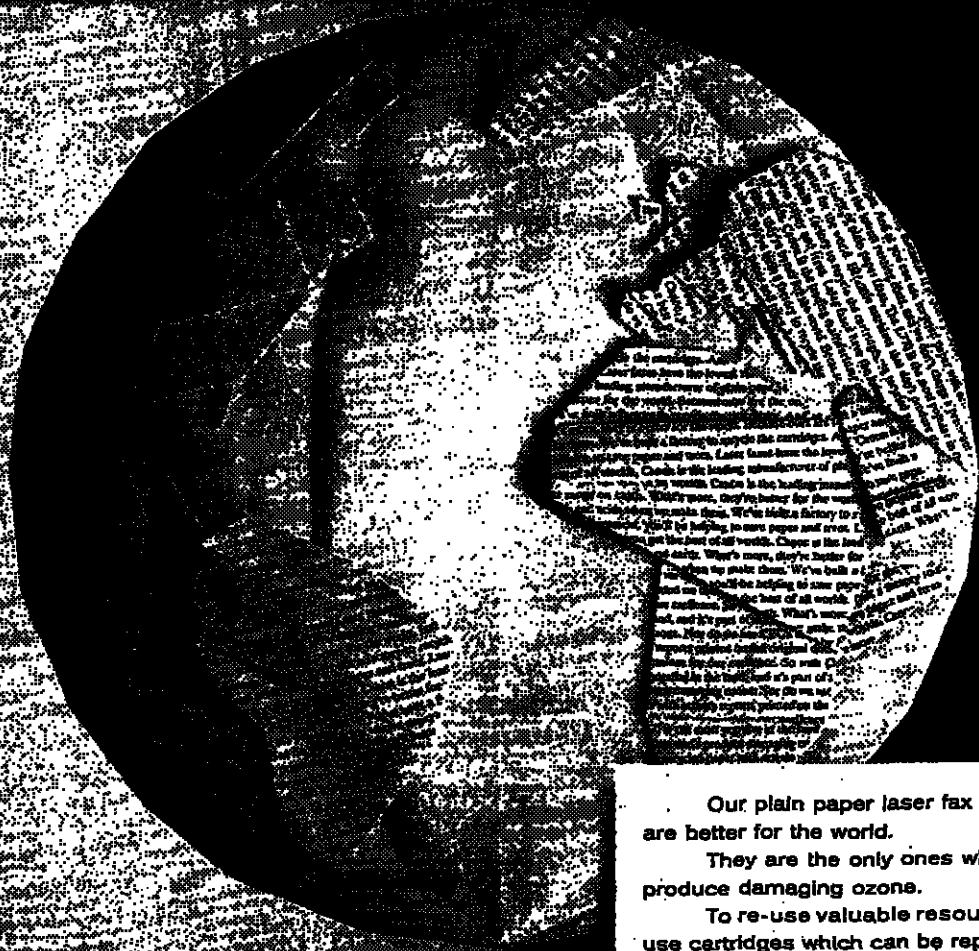
(2) The Director proposes to make the modifications in response to a request from Scottish Hydro-Electric Plc and

Hydro-Electric Energy Ltd that their second tier supply licences be modified to include the powers and rights conferred by or under the provisions of Schedules 3 (compulsory acquisition of land etc.) and 4 (street works, wayleaves and other powers) of the Act subject to limitations similar to those imposed in other licences including such powers issued by the Director under Section 6(2) of the Act.

(3) Any representations or objections to the proposed modifications may be made on or before 11 December 1992 to the Director at the Office of Electricity Regulation, Hagley House, Hagley Road, Birmingham B16 8QG.

Dr EC Marshall, duly authorised  
on behalf of the Director General of Electricity Supply,  
9 November 1992.

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## NEWS: WORLD TRADE

## Greece buys three frigates

By Kerin Hope in Athens

THE Greek Defence Ministry yesterday signed a contract to buy three second-hand frigates from the Netherlands navy for a total of £130m (£140m), with delivery due by 1995.

The purchase is part of a £1bn modernisation programme for the Greek navy, which calls for adding 12 frigates to a fleet currently based on destroyers and fast patrol craft, equipped with missiles.

Greece will pay cash for the Kortenaer class frigates, built in the early 1980s. But payment will be spread over eight years, with annual instalments starting at £12m and rising to £19m in 1995.

The frigates will be equipped with Sea Sparrow surface-to-air missiles, Harpoon surface-to-surface missiles, anti-submarine systems and a helicopter pad.

Mr Ioannis Stathopoulos, the Greek defence under-secretary, said yesterday the deal would help modernise the Greek fleet, which was "necessary in order to avert war and lay the foundations for peace in the region."

The frigate deal was preceded by the delivery of 170 Leopard tanks, handed over by the Netherlands to Greece under the so-called "casualty" redistribution of older Nato weaponry from western Europe. Greece has also agreed to buy 177 armoured personnel carriers from the Netherlands, at a reduced price.

Greece already has two Kortenaer class frigates, which took part in the Gulf war, patrolling in the Red Sea. Earlier this year, the Greek navy took delivery of two Kono-class frigates from the US, transferred free of charge under a bilateral military aid programme. Another US frigate will be given to Greece in 1993.

Meanwhile, Greece has received the first of four Meko-class frigates ordered in 1987 from Germany at a total cost of \$800m. The other three are being built under licence at a state-owned Greek shipyard.

## US fires new salvo in Gatt propaganda war

Report says deal would give sharp boost to processed French farm exports

By David Dodwell, World Trade Editor

SUCCESSFUL completion of the Uruguay Round would create an export boom for French farmers in the high-value processed products that account for 70 per cent of current farm exports, according to a report by US farm economists in Europe.

Independent farm experts said the report exaggerated potential gains, but agreed that as Europe's most efficient agriculture producers, French farmers could on balance see gains.

They said some of the gains would come at the expense of less efficient farmers in other parts of Europe - such as Germany or Spain - rather than through boosted sales to markets outside Europe.

The report comes at a time when French farmers are campaigning fiercely to prevent further dilution of the Common Agriculture Policy's farm subsidy regime. The collapse last week of ill-tempered US-EC negotiations on reform of Europe's agriculture subsidy system has triggered fears of a tit-for-tat trade war.

It is clearly intended to fuel the propaganda war between France, backed by other smaller farm exporters such as Spain and Ireland, and leading industrial exporters who fear

the farm trade dispute will scuttle the ambitious Uruguay Round reform package, which embraces trade in a wide range of services, in textiles, improved settlement of international trade disputes, and cuts in tariffs and non-tariff barriers to trade.

The report predicts an export boom for French beverages, processed and fresh fruits and vegetables, and livestock products. These together accounted for exports worth FF130bn (\$15.5bn) last year - about 70 per cent of total farm exports.

"Potential gains for this already huge sector are staggering, and far outweigh even the most pessimistic French estimates of potential losses in the cereals and oilseeds sectors," the report says.

It says an extra 35,000 jobs would be created for every FF15bn increase in exports.

Mr Jean-Marie Demange, agriculture counsellor at France's London embassy, said yesterday he was puzzled by projections of more farm jobs: the country's farming population is expected to fall from 1m at present to less than 700,000 within seven years, he said.

Dynamic regions such as Brittany could be expected to gain, as could the country's efficient poultry sector, he added - but this was only a small part of the farm sector.



European Commission president Jacques Delors (left) arrives in Brussels to discuss the looming transatlantic trade war

He insisted that while France was a strong producer of processed farm products, it could not be expected to perform well in marketing these outside Europe, since most farmers were small operators, with poor links to large groups with any international trading network. France at present

imports more processed food products than it exports, he said.

The report also claims that CAP reforms will lead to higher demand inside the EC for cereals. It quotes EC studies predicting a 10m tonne increase in annual demand for cereals due to livestock feeding

alone. This would more than offset the US demand for cuts in subsidised exports of cereals.

"Things are not going to be as bad as the French say, but nor are they going to be as good as the Americans say," Mr Jim Rollo, a farm trade expert at the Royal Institute

for International Affairs in London, said.

"France will do well out of the realignment of EC agriculture, and is likely to gain a lot in Europe's internal market, perhaps at the expense of German, British or Italian farmers. But there is quite a lot of adjustment to go through."

## ICI hopes risky gamble will pay off in Taiwan

By Paul Abrahams in Taipei

IMPERIAL Chemical Industries (ICI), Britain's biggest manufacturing company, yesterday opened its largest single product plant, a \$50,000-tonne-a-year pure terephthalic acid (PTA) unit in Taiwan. The \$150m facility, the biggest investment in Taiwan by a foreign group, is part of ICI's strategy of expansion in the Asia-Pacific region.

However, the investment - a substantial one, given the whole group allocated only \$776m to capital expenditure last year - is a high-risk gamble. The group is expected to make a profit of only \$610m

this year, compared with \$943m last year and a peak in 1989 of \$1.5bn.

ICI's investment comes at a time when the market for PTA, used to manufacture polyester for textiles, bottles and films, is struggling. Since the plant's construction began in 1989 Asian prices have fallen by about 15 per cent to \$540 a tonne.

The PTA price fall has been driven by slowing demand growth - down from 12 per cent a year in the 1980s to 8 per cent - and capacity increases.

In Asia alone, 10 PTA plants with a combined capacity of more than 2m tonnes a year have come on stream since

1989. Worldwide capacity is 9m tonnes a year, while demand is only 8m tonnes.

However, ICI, the world's second largest manufacturer of PTA after Amoco of the US, believes its investment is strategically correct.

"PTA is one of the few growth opportunities at present available in the petrochemical industry," Mr Mike Brogden, chief executive of ICI chemicals and polymers, said.

The British company is gambling that despite the present glut, a PTA shortage will occur in Asia during the mid-1990s. Regional demand is at present about 5.1m tonnes a year. Although theoretically there

is about 5.3m tonnes capacity in Asia, PTA is hard to manufacture and actual production is about 4.4m tonnes, ICI said.

By the middle of the decade, it hopes regional demand will be 6m tonnes a year with theoretical production also at 6m tonnes and actual production at 5.1m tonnes. Three new units with a combined annual capacity of 750,000 tonnes are due to come on stream before 1996, according to Mr David Hewitt, ICI's international PTA business manager.

ICI hopes any increase in Asian demand will not draw in extra imports from the US, currently some 700,000 tonnes a year.

"For once, we appear to have got our timing about right. We're probably coming on stream only six months too early," says Mr Hewitt. Asian PTA prices will tighten by as much as 15 per cent by 1996, he believes.

"We need to make cash at the bottom of the cycle and generate lots at the top. Even at present prices we are putting cash into the coffers."

ICI's PTA business, which now generates \$200m turnover a year, is set for rapid expansion, Mr Brogden says. He expects PTA sales to rise to \$220m by 1994 as annual production increases from 500,000 to 900,000 tonnes. Within five

or six years, PTA will represent 25 per cent of the chemicals and polymers' annual turnover which was last year nearly \$3bn.

The group's first PTA plant in Asia will not be its last. Mr Hewitt adds. The group will be looking to construct a new plant within five years. One possible location is China.

But before ICI can consider expanding further, its PTA business must pay its way. Sir Denis Henderson, chairman, warned yesterday the group was not interested in making investments that did not make money. Operations must generate significant profits to justify further capital spending.

## Caricom reduces external tariff and pleases no-one

By Canute James, recently in Port of Spain, Trinidad

THE Caribbean Community (Caricom) has lowered the rates of a controversial tariff being applied to imports from third countries. However, the reduction has angered regional businesses which want continued protection, and is not expected to satisfy the community's critics, including the US, which want more substantial and immediate cuts.

At an extraordinary summit in Trinidad, the leaders of the 12 Caricom states agreed to reduce the top level of the common external tariff from the 45 per cent to between 30 per cent and 35 per cent, with all states committed to this reduction between January 1 and June 30 next year. This will be followed by a further reduction of the top rate to between 25 per cent and 30 per cent by 1996, with the rate falling to between 20 per cent and 25 per cent by 1997.

The Community, which has a market of 5.5m people, is made up of 13 English-speaking countries of the region, and is trying to create a customs union which the members have agreed is a prerequisite for a planned common market.

The Bahamas is not a party to the community's trading

arrangements, and Belize has been granted permission to delay the implementation of the new tariff arrangements.

The new tariff structure is a compromise aimed at satisfying the deep division among community members. Jamaica, which had called for an immediate reduction of the top rate to 20 per cent, said the region's industry had to be made competitive.

Compromise in effort to move towards a common market

But some countries objected, saying their fledgling industries needed protection from cheap imports, while others said their budgets would be harmed by reduced revenues if import duties were cut.

Mr Patrick Manning, prime minister of Trinidad and Tobago, and chairman of Caricom, said the competing interests of all members had to be taken into account, and this explained the progressive cut in the top rates, spread over five years, rather than a more significant and immediate cut.

Having asked for an immediate and steeper reduction of the tariff, Mr P J Patterson, Jamaica's prime minister, said he had accepted the sliding scale, but would move immediately to a top tariff rate of 30 per cent in January.

However, regional business leaders who had objected to any reduction in the tariff rates, are angered by the Caricom decision.

"With a eventual tariff level of 20 per cent, very few manufacturers will be able to compete," complained Mr Neil Foon, Tip, president of the Trinidad and Tobago Manufacturers Association. "We operate very small plants and our inputs also have an additional cost in freight charges."

Mr Bobby Khan, president of the Barbados Manufacturers Association, forecast business closures in the region, saying that the countries which have been pressuring the community for a reduction in the tariff rates would also lose markets in the Caribbean.

The Caricom decision is unlikely to satisfy Washington, which had said a more significant reduction in tariffs was needed if the community was to keep in step with changing trends in global trade.

## IBM to push Sony standard

By Charles Leadbeater in Tokyo and Michio Nakamoto in London

IBM, the US computer manufacturer, and Sony, the leading Japanese consumer electronics group, are co-operating to promote Sony's standard for CD-based multi-media technology.

IBM has announced that it will sell Sony's hand-held multi-media CD-ROM players in the US for which it has developed its own software. The two will be sold by IBM as a package. The Sony CD-ROM player was launched in the US in mid-September.

The decision by IBM to market Sony's CD-ROM player is an endorsement by IBM of Sony's standard, which is slightly different from an internationally agreed CD-ROM standard.

The link between two of the largest electronics companies has stirred excitement among industry circles over the possible formation of an agreement extending to the development of new software for Sony's consumer electronics products. Such an agreement could create the basis for a powerful electronics industry alliance.

The talks mark a further step in IBM's strategy to develop a network of international alliances with partners in Europe and Asia as part of its restructuring programme.

CD-ROM players are the hardware heart of multi-media machines which combine video, photography, data, animation and sound, by applying computing power to consumer electronic products. The computer software to bring together a variety of previously separate consumer products is vital to multi-media machines.

The emergence of multi-media has prompted software producers, many of them US companies, to forge new relationships with Japanese consumer electronics hardware manufacturers. Last month, Sony agreed with Nintendo, the video-game manufacturers, to manufacture and market a new game system that combine Nintendo video games with a CD-ROM drive.

Slower growth in consumer electronics and computer sales combined with high research costs and development, is forcing companies to forge international alliances.

Apple, the US personal computer maker, is also allied with Sony while IBM has teamed up with Sharp, to market a pocket sized communications device.

AT&T, the US telecommunications group and Matsushita, the world's largest electronics group last month unveiled an alliance to produce a pocket communicator.

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

	Nov 15-16	Dec 14	Nov 14
DMark	8.24	8.77	
Ecu	9.35	9.54	
French franc	9.77	10.28	
Guilder	8.36	8.80	
Guilder	8.40	8.80	
Guilder	8.90	8.85	
Italian lira	14.28	14.54	
Yen	5.30	5.50	
Peseta	14.61	14.12	
Swiss franc	8.80	10.20	
US dollar	7.37	7.67	
US dollar	5.84	6.42	
US dollar	6.60	6.38	
US dollar	7.15	6.96	

\*Up to 5 years.  
\*\*From 6 to 10 years.  
These rates are published monthly by the OECD, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when issuing at bid. Interest rates may not be based for longer than 120 days. 30-day-based rates of interest are the same for all currencies. The 30-day interest rate was changed on February 15 to 8.10 per cent. It will be subject to change on January 15, 1992.

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## Squabble puts back Japan's spending plan

By Charles Leadbeater  
in Tokyo

IMPLEMENTATION of Japan's supplementary budget - seen as critical to the government's emergency programme to prevent the economy falling into recession - was further delayed yesterday by the political power struggle set off by the Tokyo Sagawa Kyubin bribery scandal.

The start of debate over the supplementary budget, which is crucial to implementing a ¥10,700bn (¥54bn) emergency economic package announced in August, will be delayed until next week at the earliest, according to members of the Japanese parliament.

The delay is due to the ruling Liberal Democratic party's (LDP) failure to agree with the main opposition parties over a timetable for the supplementary budget to be discussed by the Japanese parliament's powerful budget committee.

The Diet convened on October 30 for a 40-day extraordinary session to pass the budget, which is needed to implement large-scale public works spending.

Ministry of Finance officials warned that prolonged delay could seriously undermine confidence.

But they said there were no plans for interim measures to help support stock market and business confidence.

The opposition parties, led by the Social Democratic party, are demanding that 10 LDP leaders give sworn testimony to the Diet over their alleged involvement in the Tokyo Sagawa Kyubin affair.

The opposition parties will be keen not to risk being blamed for holding up passage of the budget. But they are insisting LDP leaders should give sworn testimony to the Diet.

The LDP has proposed that sworn testimony should be given to the parliament's ethics committee.

The likelihood that the Diet will hear evidence over the scandal means it will continue to create political uncertainty at a time when the Japanese economy is on the verge of recession.

The scandal has sparked a power struggle at the top of the LDP after a public outcry forced the resignation of Mr Shin Kanemaru, the former head of the largest LDP faction.

Mr Kanemaru admitted he accepted a ¥500m illegal donation from the company.

However, in the past week pressure has been mounting on other LDP leaders, particularly Mr Noboru Takekoshi, the former prime minister and titular head of the largest LDP faction to clarify his role in the affair.

Last week Tokyo prosecutors pursuing a breach of trust case against former Tokyo Sagawa Kyubin executives read depositions in court which alleged several other LDP leaders were involved in dealings with the company which was linked to organised crime syndicates and right-wing nationalist groups.

Mr Kijichi Miyazawa, the prime minister and LDP president, yesterday played down suggestions that the party might take legal action against the prosecutors for reading the controversial depositions given by politicians of the far right.

## Jordan conspiracy verdict due today

Trial could be a warning to militants, write James Whittington and Mark Nicholson

JORDAN'S State Security Court is due to announce its verdict today in the most controversial political trial the country has seen for years. Two militant Moslem members of parliament and two merchants are accused of conspiring to overthrow the Hashemite monarchy with the intent of creating an Islamic state.

The MPs, Mr Leith Shbeilat and Mr Yaqub Qarash, face charges of belonging to an illegal Islamic-backed group - the *Shabab al-Naqar al-Islami* (Moslem Youth for Mobilisation) - possession of weapons and explosives, undermining Jordanian-Iraqi relations and slandering against the king.

Both men face a maximum sentence, if found guilty, of death.

Mr Shbeilat and Mr Qarash have pleaded not guilty while the two other defendants say they are guilty only of possessing weapons which they insist were for use in the occupied territories against Israel.

After a month of controversy and often fiery sittings, the outcome of the trial, the first of its kind to be held in public, is seen by many as a serious test of Jordan's embryonic democracy and, perhaps, of the degree to which the authorities in Jordan may seek to circumscribe its limits.

The verdict comes just days after King Hussein, in his first speech since returning to Amman from cancer surgery in the US, laid out his vision of Jordan's future as an exemplary democratic state in the region.

From the outset, the case has been riddled with conspiracy theories. Mr Qarash and Mr Shbeilat claim that the trial has political motivations and the proceedings have been reproached by many as unconstitutional.

Many Jordanians have expressed the hope that the King himself, as formal head of the kingdom's judicial system, should somehow intervene in the case. In a recent FT interview, King Hussein said he was "keeping a close eye on

what is happening to see what can be done". He added: "I don't think anyone should worry, we are totally committed to democracy, to pluralism, to human rights."

Prosecution evidence collected by the General Intelligence Department (GID), otherwise known as the Mukhabarat, includes bugged telephone conversations and a secret witness, a Mr Yassin Ramadan Yassin, who claimed to have carried \$200,000 from Iran to Mr Shbeilat last April.

After questioning Mr Yassin during a closed session of the otherwise open court last month, Mr Shbeilat and Sheikh Qarash's lawyers withdrew from the case in protest at what they described as "terrorism of the defence" and the two MPs began a hunger strike.

The court-appointed lawyers who presented the defence's summation were rejected by both MPs as "not understanding the case".

Although Mr Qarash and Mr Shbeilat are friends who share not only religious convictions but also an office in Amman, they are, in the eyes of the Jordanian public, as different as chalk and cheese. Mr Qarash is known for his religious zeal and controversial business practices and, aside from the fundamentalists, few would mourn if he were found guilty.

Conviction of Mr Shbeilat, on the other hand, a successful civil engineer and by far the most popular MP in the 80-member lower house of parliament, could prove more explosive. There have already been demonstrations outside the court protesting his innocence and the return of a guilty verdict could provoke a backlash.

Many Jordanians believe the trial to be a warning shot to Islamic militants who won 33 seats in the 1989 parliamentary elections and, with the recent legalisation of political parties, are successfully gathering support for general elections in November next year.

Mr Shbeilat's supporters believe the trial is a counter-

action to the MP's calls for constitutional reform and his involvement in a parliamentary committee which investigated corruption charges against a number of former ministers, including Mr Zaid Rifai, a former prime minister.

Even some of Mr Shbeilat's political opponents, among them some senior Jordanians, believe the case against him to be weak at best and even possibly contrived.

Mr Abdul Karim Dughmi, lower house deputy speaker and former minister, one of Mr Shbeilat's original defence lawyers, argued: "I am definitely sure that the case against Shbeilat was a conspiracy by certain powerful sides in the government to silence him politically."

Government sources insist, however, that the evidence against the defendants could not have been ignored. "The threat of militant fundamentalists is a real one," said one senior figure. "If democracy is to succeed then we have to accept the judicial system."

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## Political council for Bahrain

By Mark Nicholson,  
Middle East Correspondent

BAHRAIN is set to become the latest Gulf state to announce fresh moves towards wider political participation by unveiling details of a 30-seat consultative council next month.

Sheikh Isa bin Sulman al-Khalifa, Bahrain's emir, told the Saudi newspaper *Asharq al-Awsat* he was "serious" about naming the council, which would be announced "very soon".

Senior Bahraini officials said a decree establishing the council, all members of which will be appointed by the emir, would be issued in December.

The council is expected to have a purely advisory role and diplomats said yesterday the state's rulers appeared to be moving with great caution in establishing the new body.

It will be the first broadening of political participation in the Gulf state since the emir suspended Bahrain's first elected parliament just two years after its formation in 1973, claiming the body's internal arguments were obstructing government.

Oman last year set up its first consultative council, while King Fahd, the Saudi ruler, recently named the speaker for a 60-member advisory body, appointments to which have still not been announced. Kuwait last month held its first general elections since 1965.

## Middle East peace talks reopen amid uncertainty

ARAB-ISRAELI peace talks resumed yesterday overshadowed by new violence in Lebanon and uncertainty over the transition of power from President George Bush to President-elect Bill Clinton, Reuter reports from Washington.

The seventh round of talks since last year's Madrid peace conference reconvened after a 12-day pause for the US presidential election and is due to continue until November 19.

Mr Itamar Rabinovich, Israel's chief negotiator in talks with Syria, was in tough mood, seeking a statement that Damascus was not involved in weekend clashes in Lebanon.

Pro-Iranian guerrillas had fired salvos of Katyusha rockets into northern Israel and Israel's south Lebanon security zone late on Sunday in apparent retaliation for an Israeli air raid that killed four guerrillas.

Mr Rabinovich said Israel had not changed its positions in this round despite a deadlock with the Syrians on their demand for a total withdrawal from the occupied Golan Heights and Israel's counter-demand for a Syrian commitment to sign a peace treaty.

Israel is negotiating with Jordan, Lebanon and Palestinians from the occupied territories, as well as Syria.

Few people expect breakthroughs before the Clinton team is in place. If they are contemplating any significant concessions, the parties might want to keep them up their sleeves until then. By the same token, it is in nobody's interest to annoy the new US leader by provoking a crisis.

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## Israel to settle for 10% inflation rate

By Hugh Carnegie  
in Jerusalem

ISRAELI will settle for near 10 per cent inflation next year - a rate well above that in its main European and US trading partners - in a drive to sustain growth and reduce record 11 per cent unemployment caused by mass immigration from the former Soviet Union, the Governor of the Bank of Israel said yesterday.

Mr Jacob Frenkel said he was not "playing a game of trade-offs between unemployment and inflation" because inflation would stay on a downward path. But a dramatic fall in the rate this year to an expected 11 per cent, from 18 per cent in 1991, allowed for a period of "consolidation" when inflation would fall less quickly. "We are very sensitive to the social and economic dangers that high and sustained unemployment can bring to the nation," he said in an interview.

He was speaking after the Labour-led government moved to bolster growth, which is set to reach about 6 per cent in real terms this year, by announcing it would let the value of the shekel fall by 11 per cent over the next year. It also announced a package of tax cuts and incentives for the business sector.

These included a cut in VAT from 18 to 17 per cent from the start of next year, a four point cut in the corporate tax rate to 36 per cent spread over the next four years and 50 per cent rise in depreciation rates allowed on fixed assets for tax purposes.

Mr Frenkel said he fully backed the measures. The prior announcement of the rate of shekel devaluation over the coming 12 months continued a policy of a "disinflationary pace" in place for the last year. It combined "flexibility and stability" while excluding damaging sudden lurches in exchange rates, he said.

Although the projected devaluation will more than cover the difference between domestic inflation and inflation in Israel's main export markets, the Manufacturers' Association said it was not enough.

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## Lebanese PM vows to free south

LEBANON'S billionaire prime minister declared war on corruption, inflation and illegal speculation yesterday and promised to push for an Israeli withdrawal from the south, Reuter reports from Beirut.

Mr Rafik al-Hariri, a banking and construction tycoon with Saudi royal links, told MPs the main goals of his new government were to free the south and a return to prosperity.

He said the cabinet was intent on "liberating the land from occupation, liberating the state from the aftermath of the war, liberating the administration from corruption and the citizens from the effects of chaos" following 15 years of civil war. Mr Hariri, whose \$40m (£2.5m) fortune puts him among the world's 100 richest men, is expected to win a vote of confidence in parliament for his government by a landslide later this week.

Speaking after pro-Iranian guerrillas had fired rockets into Israel and its "security zone" in south Lebanon, Mr Hariri endorsed the right of the Lebanese to fight Israel's occupation by all means.

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## Taiwan tightens investment rules for foreigners

TAIWAN is tightening its screening of foreign investment applications and bids for infrastructure contracts to block projects by companies with large mainland Chinese shareholdings, officials said yesterday, Reuter reports from Taipei.

"We are screening foreign investment applications prudently to prevent Communist Chinese capital from slipping through," said Mr Chen Ming-pang, secretary-general of the government's Investment Commission.

Foreign companies would be ordered to withdraw existing investments in Taiwan if they were found to have major Chinese shareholdings.

Companies with big Chinese investments will also be blocked from bidding for contracts under Taiwan's six-year, \$300bn (£193.5bn) development plan, economics ministry officials said.

Taiwan has curbed economic contacts with China since the end of the civil war in 1949. Under a law passed in July, companies with combined Chinese shareholdings of more than 20 per cent are banned from investing on the island. Local newspapers have said Chinese capital is avoiding restrictions, entering Taiwan through Chinese-invested companies in third countries.

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## BJP challenges the Indian government over early election

By Shiraz Sidhwa, recently in  
Bhubaneswar, India

INDIA'S opposition Bharatiya Janata Party (BJP) has stepped up its confrontation against the ruling Congress party, accusing it of "utter failure on the political, social and economic fronts".

At a weekend meeting in the temple town of Bhubaneswar in the eastern

state of Orissa, the BJP directed party workers to be prepared for elections in the near future. It was especially strident in its criticism of Prime Minister P V Narasimha Rao's economic reform programme, which it had earlier supported.

The Congress party retorted that it was fully prepared to meet the challenge of a mid-term election. It said it was "not afraid of the BJP's hollow

threats," and that Mr Rao's policy of consensus politics should not be misconstrued as weakness.

The BJP lacks the strength in the lower house of parliament to topple the Rao government. No other political party is thought seriously to want an election so soon after the general election last year.

The BJP accused the government of "practically no performance" in the

agrarian and industrial sectors, and of having failed to increase exports or control inflation and foreign debt.

It said rises in petroleum and fertilizer prices had played havoc in the economy.

Mr L K Advani, leader of the opposition in the lower house and de facto head of the BJP, said his party was confident that it could convince the people that the Congress government,

"with its dismal record in Kashmir, Assam, Punjab and Andhra Pradesh, could not hold the country together".

The Andhra temple issue, which has contributed to the BJP's growth in influence over the last two years, threatens to reach another flash-point on December 6, with Hindu militants planning to resume construction of the temple in defiance of court orders.

## Khmer Rouge shatters \$2bn UN peace plan

Brutal rebel group grows stronger in its north Cambodian fastness, Victor Mallet reports

ONLY a few days ago it was still easy to find United Nations officials and western diplomats who believed that the left-wing Khmer Rouge guerrilla group would stop defying the UN and start co-operating with the Cambodian peace plan agreed in Paris in October last year.

The Khmer Rouge, already notorious for causing the deaths of an estimated 1m Cambodians when it ruled the country between 1975 and 1979, has in the past seven months repeatedly flouted a nationwide ceasefire, fired on UN helicopters, and sabotaged bridges. It has also refused to allow UN forces access to the areas it controls and refuses to disarm its troops in accordance with the peace agreement.

But the optimists persistently argue that the Khmer Rouge was merely playing for time and making last-minute tactical moves to consolidate its recent territorial, political and economic gains before yielding to the UN and taking part in the elections scheduled for next May - elections which the Khmer Rouge was confidently expected to lose.

Such hopes were dashed over the weekend by the failure of the international talks in Beijing aimed at bringing the Khmer Rouge to heel.

Mr Khieu Samphan, the nominal Khmer Rouge leader, ignored the pleas of the various sponsors of the Paris peace accord, shrugged off a UN deadline of November 15 for Khmer Rouge compliance and said his organisation would not participate in the elections "in the prevailing conditions".

The consequences of continued Khmer Rouge intransigence are likely to be severe, both for the credibility of the UN, which is committing more than 20,000 troops and civilians and \$2bn to the largest peace-keeping operation in its history, and for the future of Cambodia as it struggles to emerge from two decades of war.

"I'm finding it harder to maintain my optimism," a western diplomat who follows news in Cambodia said yesterday. "The Khmer Rouge appears to have concluded that the whole election process will not be to its benefit."

One immediate worry for the UN Transitional Authority in Cambodia (Untac) is that the other three Cambodian fac-

Hun Sen, head of the Vietnamese-installed administration in Cambodia, told a news conference in Bangkok yesterday on his way back from peace talks in Beijing

that a full-scale resumption of civil war could be imminent following the failure of international efforts to convince Khmer Rouge guerrillas to co-operate in the UN-sponsored

much impact on the trade between the Khmer Rouge and Thailand. The rugged border makes control of smuggling hard at the best of times, and the Thai armed forces which supervise the area will be reluctant to forgo the "protection money" they earn from Thai entrepreneurs who deal with the Khmer Rouge.

Another course of action being considered by the sponsors of the Cambodia peace plan is a rewriting of the original accord in order to exclude the Khmer Rouge. This was previously regarded as out of the question because of the enormous efforts needed to negotiate the original plan.

"Now that we have been unable to reach agreement... some appropriate adjustments must be made to the Paris agreements," Mr Ali Alatas, Indonesia's foreign minister and one of the chairmen of the Paris peace confer-

ence, said after the failure of the Beijing talks.

The danger of excluding the Khmer Rouge once for all, western diplomats say, is that it would be free to denounce the election results, then bide its time in the fastnesses of northern Cambodia until the UN is forced by a shortage of funds to extricate itself from the country, and ultimately challenge the future elected government.

The Khmer Rouge has been stridently emphasising its nationalist credentials and successfully exploiting popular distrust of neighbouring Vietnam by blaming the Vietnamese government and the numerous Vietnamese settlers inside Cambodia for most of Cambodia's problems, and for its own intransigence.

Critics of UN operations in Cambodia say Untac officials have consistently over-emphasised the weaknesses of the

Khmer Rouge, have been fooled by repeated Khmer Rouge claims that the organisation was not at war but, if co-operating with the UN, and have failed to use even the threat of military force to tackle blatant Khmer Rouge violations of the peace accord.


They have also, critics say, played into the hands of Khmer Rouge anti-Vietnamese propagandists by leaving too much authority in the hands of the Hun Sen government, which is, in terms of the peace accord, only one of the four factions.

While UN officers speak of Khmer Rouge guerrillas defecting in search of food and money, Mr Raoul Jennar, a Brussels-based consultant who monitors Cambodian affairs, says that the Khmer Rouge is poaching troops from the other, less-belligerent factions and now has a presence in 20 of the 21 provinces. "Today," he wrote recently, "the Khmer Rouge display the contempt with which they hold the concern that has been shown to them by the governments and diplomats from the 18 countries who signed the peace agreement."

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## NEWS: THE AMERICAS

After the election, the race is on to join the purse-strings committees

## Congress leaders jostle for power

By George Graham in Washington

THE transition team of President-elect Bill Clinton is moving cautiously towards the creation of a new administration, but in the legislative branch of the US government, congressional leaders are wasting no time regrouping after last week's elections.

New senators flew to Washington yesterday to be sworn in, and Speaker Thomas Foley went with other Democratic leaders to Chicago to meet the House of Representatives' new intake.

While the new members were being inducted, the veterans of Capitol Hill were already jockeying for position. House members began yesterday picking over - in strict order of seniority - the list of vacant office suites, and elections are due to be held today for several key Senate party posts.

Most of the posts are uncontested, but a fierce, if covert, battle is being waged by Senator Mitch McConnell of Kentucky to oust Senator Phil Gramm of Texas from the chairmanship of the National Republican Senatorial Committee, which Mr Gramm has used to launch his 1996 presidential campaign.

Most critical of all, however, is the allocation of committee assignments next month, with an unusual number of open seats on the prized financial committees up for grabs.

The committees that preside over taxation and spending - the House ways and means committee and the Senate finance committee for taxation, and the appropriations committees of both chambers for spending - wield enormous influence because of their control over the purse strings.

The Senate appropriations committee

has seen relatively little turnover, but 13 of the 59 members of the House appropriations committee have retired and six more were defeated in primaries or elections. They include three chairmen of the subcommittees that control spending in specific sectors.

Among those stepping up will be Congressman Bob Carr of Michigan, expected to become head of the transportation subcommittee, and Congressman Louis Stokes of Ohio, who will take over the veterans, housing and independent agencies subcommittee, which includes the space budget in its domain.

One critical question is the future of 82-year-old Congressman Jamie Whitten, who chairs the full appropriations committee and its agriculture subcommittee. He was compelled by illness during the last Congress to hand over day-to-day responsibilities to Congress-

man William Natcher of Kentucky, a year older but much fitter.

Some Democrats are urging a breach of the normal seniority rules to place a younger member, such as Congressman David Obey of Wisconsin, in the committee's chair. The senior Republican on appropriations, Congressman Joseph McDade of Pennsylvania, could also be ousted because of his recent indictment on charges of bribery.

No such coup is expected against Congressman Dan Rostenkowski, chairman of ways and means, but of his committee's 38 members, 13 have left Congress. The selection of new members to replace them will be particularly important because of ways and means' jurisdiction over health care issues, which are expected to be high on the agenda of both the Clinton administration and the new Congress.

By George Graham

MR Timothy Ryan said yesterday that he would step down next month as director of the US Treasury's Office of Thrift Supervision after three years in charge of the recovering savings and loan industry.

Mr Ryan told the annual meeting of the Savings and Community Bankers of America in San Diego that the overhaul of the S&L, or thrift, industry was "virtually complete".

"Together we have made the savings and loan business into an industry of strong, well-capitalised, profitable institutions," he said in the text of a speech prepared for delivery yesterday.

Four years ago, Mr Ryan said, the 6,100 thrifts in the US were between them losing more than \$1bn (\$645m) a month.

Their capital amounted to just 0.33 per cent of their combined assets of \$1,200bn.

In the first half of 1992, he said, the 2,000 surviving thrifts made \$2.8bn in profits. Capital amounted to 5.7 per cent of their much trimmed combined assets of \$840bn.

The S&L crisis, however, is not yet over for the US federal government. Mr Ryan's office continues to send failed thrifts into liquidation under the auspices of the Resolution Trust Corporation, but the last Congress failed to vote an additional \$43bn for the RTC,

which has been without new funds since April 1.

The Bush administration estimates that the failure to authorise new funds is adding \$4m-\$6m a day to the ultimate cost of the crisis by preventing regulators from closing savings and loan businesses as quickly as they would like.

The Congressional Budget Office projects the total cost of the S&L bailout at \$195bn up to 1998.

Mr Ryan, 47, said he told President George Bush when he was appointed OTS director in April 1990 that he would leave after the 1992 election. The former White House aide and pension lawyer said he intended to return to private business.

## Scandal allegations irk Franco

By Christina Lamb in Rio de Janeiro

BRAZIL'S interim President Itamar Franco reacted angrily yesterday to allegations that he had been a financial beneficiary of the corruption scam that caused the demise of his predecessor, Mr Fernando Collor, and brought him to power last month.

The charges were made by Mr Paulo Cesar Farias, the alleged front-man in the multi-million-dollar kickback scheme, who told reporters he had given money to Mr Franco while he was Mr Collor's vice president and during the 1989 elections.

The claim sent the nervous Brazilian stock markets falling again.

A furious Mr Franco challenged Mr Farias to present a copy of any cheque made out to him.

Prosecution lawyers in Mr Collor's impeachment trial yesterday completed their report to the Senate, accusing him of 20 crimes, including electoral malpractice, tax evasion, and "crimes of responsibility".

## Pressure growing for Mexican electoral reform

Nafta and the economy are causing problems for Salinas too, Stephen Fidler and Damian Fraser report

FOR President Carlos Salinas of Mexico, now entering his fifth year in office, these are anxious times.

The country's current account deficit widened earlier this year just as foreign capital dried up, forcing the government to raise interest rates to ensure continued inflows of finance and to slow growth.

Pressure is intensifying on Mr Salinas to reform a political system which has ensured that the Institutional Revolutionary Party (PRI) has held power for 63 years. While this agenda includes a reform of the party that brought him to office, he has to be careful that the reforms do not so split the PRI that it loses the 1994 presidential election.

Further complicating matters, his friend and ally to the north - President George Bush - has been voted out of office, adding to uncertainty over one of Mr Salinas's central policies, the North American Free Trade Agreement. Without Nafta's ratification, Mr Salinas will be seen to have lost his biggest gamble.

The issues facing Mr Salinas are linked. If Mexico's regional politics degenerate into vio-

lence in the coming year, it will hurt the chances for ratification of Nafta. Without Nafta, the level of investment required to sustain growth and the current account deficit will be difficult to achieve. Without an upturn in growth in 1994, the prospects for the PRI in the presidential elections will be weakened.

Mr Salinas will have at the very least a central role in choosing the PRI's presidential candidate next year even if, as seems unlikely, the traditional *dedazo* - the presidential nomination which has in the past effectively appointed the next president - is diluted to give the rank and file of the party a bigger say.

Before then, he will want to defuse the controversies which have followed the election of PRI candidates for a handful of state governorships. Mr Salinas is widely held to have intervened to replace the governors, the latest in the state of Michoacan, following protests about alleged fraud from the left-of-centre Party of the Democratic Revolution (PRD).

Such protests have fatally weakened the credibility of Mexico's electoral rules, while



Carlos Salinas: under pressure to reform the system

the gubernatorial resignations have divided the PRI rank and file, and strengthened the opposition. With less than two years before the presidential election, Mr Salinas needs to change the system fast.

In his state of the union address this month Mr Salinas

outlined his strategy to defuse this tension, through further reform of the federal electoral system to provide a model which will be followed by the states. The proposals are expected to be passed into law next year.

According to government

officials, the proposals include ceilings on private campaign contributions and expenditure, more public funding, auditing of campaign revenue, rules to ensure fair access to the news media, in particular television, and greater independence for the bodies overseeing the elec-

tion. Parties will have the right to veto who sits on the electoral bodies.

Although reforms are unlikely to satisfy the PRD - the advantage of incumbency is so huge in Mexico that a level playing field for all parties may be impossible to secure - Mr Salinas's more immediate problem may be the damaging effect on morale of PRI party members.

Many PRIistas are already hugely dissatisfied with the way Mr Salinas has undermined their power, and the president is still calling for further reform of the party, in its finances, ideology, candidate selection and internal structure. The reform, he told the Financial Times, "has not finished, it has to go further, and the elements have to be defended as such as part of a deepening process of reform".

The state of the union address also gave clues about how Mr Salinas would approach economic problems. There was an unequivocal commitment that fiscal policy would not be loosened in an attempt to accelerate growth. The government plans a budget surplus next year to follow

this year's. Furthermore, government officials say other economic reforms can be expected.

These include a simplification of the 1973 foreign investment law, which will leave foreign investment excluded from only a small number of industries viewed as strategic.

The government is also working on plans to make the central bank independent, a significant step likely to be interpreted positively by financial markets and business. "I'm convinced that a strong professional and experienced central bank is essential for any process of reform," said the president, hinting at a change other government officials say is forthcoming.

The government hopes these and other measures will consolidate and institutionalise the economic reforms it has already passed. "We must emphasise that this deep process of reform part of the everyday life of the population. That's when the reforms become institutionalised. Then they won't depend on individuals for them to be successful or permanent. Institutional reform is a fundamental element," Mr Salinas said.

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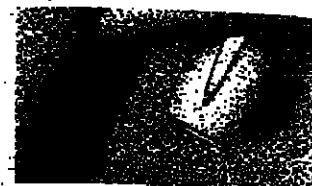
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# Chile breaks out of the boom-bust cycle

Soaring investment is enabling the government to target the country's poverty, writes Leslie Crawford

CHILE is likely to become Latin America's top performing economy this year. The latest central bank forecast sees the economy expanding by at least 8 per cent in 1992, following nine years of uninterrupted growth.

After three years of falling inflation, the country appears to have broken the cycle of inflationary booms followed by sharp recessions that has been the region's trademark for many decades.

Newspapers have not carried a gloomy economic article in months. Instead, the headlines reflect the giddy feeling of success that permeates the country.

Santiago's skyline is a jungle of construction cranes and shimmering new buildings. A recent survey of 900 export companies reported steady or expanding foreign orders. There are so many mining projects in the Atacama desert that engineering firms are recruiting professionals abroad, having emptied the engineering schools at home. Unemployment, at 5 per cent, is at a 20-year low.

The strength of the Chilean economy is underpinned by growing and diversifying exports. These will nudge the \$10bn mark this year, representing almost 30 per cent of GDP. Traditional exports, such as copper, fishmeal and fresh fruit still form the bulk of foreign earnings, but they are being joined by an eclectic list of new products and manufactured goods.

Non-traditional exports - fresh salmon from southern Chile, wine from the central valley, furniture, biotechnology - are growing at an annual rate of 15 per cent and



Finance minister Alejandro Foxley sees record investments in mining (above) and forestry as a big vote of confidence

will earn almost \$2bn in 1992. Chile recently overtook Germany as the third largest wine exporter to the US, behind France and Italy. About 10m cases will be shipped this year, worth \$100m.

The government's foreign policy is centred on opening new markets for Chilean exports. President Patricio Aylwin and a retinue of businessmen flew to the Far East this week for trade talks in Malaysia, China and Japan, which is now the biggest buyer of Chilean goods.

The country is sprinting to break a whole batch of economic records this year. The central bank's international reserves, at \$3.5bn, are enough to cover Chile's import bill for one year. In August, Chile became the first country in

Latin America to regain international standards of creditworthiness with a Standard & Poor's investment grade rating for the country's sovereign debt.

Investment is growing at almost twice the rate of the economy. This year, the government is targeting \$3bn on housing, irrigation and the country's congested roads and ports, while the private sector has invested a record \$4.3bn in mining, forestry and other export industries.

Mr Alejandro Foxley, the finance minister, sees this as the biggest vote of confidence from a business community that initially fretted over economic policy in the hands of a centre-left government after Chile's return to democracy in 1990.

Perhaps the most remarkable aspect of this investment boom is that it is being financed almost entirely out of Chile's domestic savings. Both Mr Foxley and Mr Roberto Zahler, the president of Chile's independent central bank, see this as an important departure from the country's historic reliance on foreign capital flows.

National savings have climbed to 15 per cent of GDP, from a meagre 8 per cent 10 years ago. So while foreign investment remains important, Mr Zahler believes Chile is strengthening its ability to weather external shocks.

Unlike central bankers elsewhere in Latin America, Mr Zahler is in the enviable position of having to manage the headaches of success. His main challenge this year has been to



Chile. The radical free-marketisers who held sway during Gen Augusto Pinochet's era have lost ground to a new generation of economic thinkers who believe the state has an important role to play in promoting health, education and technological change.

Economists at Santiago's Catholic University, once the breeding ground for Gen Pinochet's finance ministers, are now focusing on fighting poverty, which still engulfs 40 per cent of the population.

But Mr Foxley still believes it will take perhaps 20 years to raise Chile's per capita income, which is still low at \$2,800, to those of southern Europe.

A tax reform pushed through in the first year of President Aylwin's government allowed Mr Foxley to raise an extra \$1bn for social projects, better pensions and higher wages for doctors, schoolteachers and civil servants.

He has done this while generating fiscal surpluses in the past 2½ years. He says the government will have saved over 3.2 per cent of GDP in 1992.

Eventually, Chileans will feel bold enough to question the cost of their armed forces. They are paying a high price for the country's peaceful transition to democracy: the military consumes more than 15 per cent of the government's income.

In private, government officials admit that they are paying to keep the army happy and out of politics. The military burden will continue to drain public finances for many years to come, as Gen Pinochet's conscript army is unlikely to rethink its role in Chile's new democracy until the 74-year-old commander-in-chief retires in 1998.

# Most Argentina unions ignore general strike

By John Barham in Buenos Aires

ARGENTINA'S first general strike in over three years was less than a resounding success yesterday, with all but a few key unions largely ignoring the call for a one-day stoppage in protest at the government's economic policies.

In Buenos Aires, the capital and largest city, shops were open, offices and banks worked normally, while public transport operated at about 70 per cent of its usual capacity.

However, Mr Edmundo Soria, transport secretary, admitted that the city's train system, which normally transports between 1.3m and 1.4m people a day, was practically paralysed, as were bus services in working-class areas of southern Buenos Aires.

The strike went off relatively peacefully, apart from a small bomb which exploded harmlessly outside the headquarters of the CGT union confederation. Pickets also attacked and burned several buses.

Companies in the Buenos Aires industrial belt and other industrial centres said their factories were either brought to a complete halt or worked well below capacity. Reports from Cordoba, Argentina's third largest city, say the strike was 90 per cent effective.

The CGT called the strike to protest against President Carlos Menem's plans to abolish union privileges and reform Argentina's rigid labour laws. Although the pro-Peronist unions called 13 general strikes to defeat economic reform under the previous govern-

ment of President Raul Alfonsín, they have not resisted the privatisations and mass dismissals decreed by Mr Menem, a Peronist.

However, they have drawn the line at the government's attempts to eliminate union control over welfare funds, estimated to be worth \$5bn a year.

Unions are also up in arms over a ban on wage indexation and plans to make it easier for companies to sack workers. Economists say that labour and social security reforms are vital to maintain the balance and momentum of the government's free market policies.

Underlying the economic issues is a political struggle. Mr Menem needs union support to amend the constitution to allow him to stand for re-election when his term ends in 1995. Analysts say that is why he has so far shirked from tackling labour reform.

Union bosses are also attempting to recover their former political ascendancy. But yesterday's strike was hardly convincing as a show of union strength.

Strikes under the previous government were much more disruptive, especially in the country's bigger cities, which nearly shut down.

The traditionally powerful unions are slowly losing support in the country.

Pollsters note that the unions have failed to capitalise on growing discontent caused by falling wages and collapsing social services, mainly because their leadership is widely viewed as bureaucratic and unrepresentative.

# Colombia squeezes guerrilla cash flow

By Sarita Kendall in Bogotá

PRESIDENT Cesar Gaviria of Colombia has outlined a series of security measures designed to strike at the financial heart of Colombia's guerrilla groups. In particular, the government will be able to cancel contracts with foreign and domestic companies found to be paying protection money to the guerrillas. Banks will be held responsible for accounts containing ransom money.

The measures, outlined at the weekend in response to a wave of attacks by the country's guerrilla groups, are part of a 90-day state of emergency.

Mr Gaviria virtually shut the door on any further peace dialogue with the rebels, warning that officials who maintained contacts with the guerrillas might be sacked.

The guerrillas, he said, were no longer the vanguard of the revolution but the rearguard of the drug traffickers, pursuing riches through kidnaps, blackmail and paid killings.

Over the last four years some 17,000 people have died in Colombia's political violence. The two main guerrilla armies - the old-style Soviet-line Revolutionary Armed Forces of Colombia (FARC), and the Castro-oriented National Liberation Army (ELN) - have some 80 fronts with over 8,000 combatants between them and control large areas of the country.

Both the FARC and the ELN exact payments from companies working in areas they control. Documents captured by



Gaviria declares the national state of emergency on Sunday

the security forces apparently show that the ELN gained nearly \$30m from kidnapping and extortion in 1991. The government now plans to embargo funds and properties linked to guerrilla groups and to support an anti-kidnap law which would allow the freezing of all bank accounts belonging to guerrilla victims.

The guerrillas' power in oil-producing areas is such that they have forced local govern-

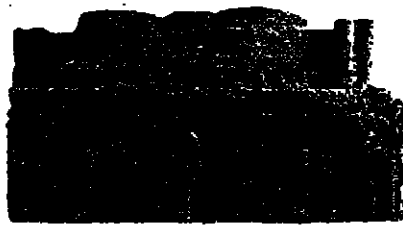
ments into handing over money from oil royalties. The royalties will now be administered by the central government. Mr Gaviria also announced restrictions on the press.

All these measures will go hand in hand with the strengthening of counter-guerrilla units, improved intelligence and a nationwide communications network to supply information on guerrillas.

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## NEWS: UK

## Ford ballot on compulsory redundancies

By Catherine Milton and Kevin Dore

UNIONS AT Ford are to ballot members on industrial action, as workers face compulsory redundancies for the first time in almost 30 years as well as a 40 per cent cut in pay for workers on short-term.

Mr Jimmy Airlie, chief Ford negotiator for the AEEU electrical and engineering union, said: "The company seems to be turning the industrial relations clock back 20 years. We have no option but to ballot members on action."

Ford said its Halewood, Merseyside, car assembly plant would be reduced to single shift working in a further move to cut car production in line with weak sales. The threat of industrial action followed Ford's withdrawal of an offer to maintain the company's long-standing policy of voluntary redundancies only, in exchange for a six-month pay freeze from November 24 and a cut in lay-off pay from 100 per cent of the basic wage to 60 per cent from January 1 1993.

The lay-off pay of a skilled day worker earning £261.50 a week would go down to £168.15. Mr John Hougham, Ford personnel director, indicated some undertakings made before the downturn could no longer be sustained. "We are prisoners of the economic climate. We believe the market is going to stay totally flat throughout the year and see little sign of an upturn before 1994."

The company still hopes to avoid compulsory redundancies but is looking for about 270 more volunteers before

Land Rover is increasing production of its Discovery four-wheel-drive leisure vehicle by about 10 per cent to 600 a week. The increase comes in the wake of faint hopes raised by October new vehicle registration statistics that the long and severe new vehicle sales slump in the UK may at last be coming to an end. New car sales in October were 8.2 per cent higher than in the same month a year ago.

About 70 per cent of Land Rover's total output is exported. The company refused to forecast whether overseas sales would be boosted by sterling's devaluation - the main factor behind an announcement by Volkswagen yesterday that it is increasing its UK prices by an average of 2.9 per cent from November 16.

December 11. More than 3,000 workers have already volunteered to leave this year.

The Dagenham assembly plant is likely to achieve all job losses voluntarily but some workers at Halewood are likely to face enforced redundancies, although all Ford workers can apply for the enhanced severance package.

Ford's move contrasts with the deal negotiated by Rover, the British Aerospace volume car subsidiary, last month for a two-year 3.6 per cent pay deal and a guarantee of no compulsory redundancies.

Unions believe UK plants are unfairly bearing the brunt of job cuts in Ford's European operations, in spite of significant recent productivity gains in the UK.

## Rifkind blocks £2bn defence spending cut

By Daniel Green

MR MALCOLM RIFKIND, defence secretary, appears to have fought off demands from the Treasury for deep defence cuts in Thursday's public spending review.

A proposal which would have involved a reduction of about £2bn over three years in the department's £24bn annual budget has been abandoned, civil servants said yesterday, though a compromise based on a smaller cut had not been ruled out.

Ministers decided that a £2bn reduction was "not possible", said sources. Mr Rifkind is said to have warned that thousands of jobs would be lost and some companies might not survive if cuts were deep.

A modest cut should also keep the MoD on the course set by the Options for Change defence review in 1990 and might allow the government to keep its election manifesto promise not to cut the defence budget below £24bn a year.

Last year's Autumn Statement on spending plans envisaged a 1992-3 defence outlay of £24.1bn rising to £24.8bn by 1994-5. A small cut or a freeze this year should avoid the need for another defence review, said the sources. But equipment spending, which takes the biggest slice of the defence budget at 37 per cent, should still bear the brunt of cuts in the medium term.

Projects under threat of postponement or cancellation include an upgrade to Challenger 1 tanks; the £700m Tornados GR1 aircraft mid-life upgrade; a £500m medium-range surface-to-air missile to replace the already retired Bloodhound and Tristar anti-tank missiles (£425m).

## Maastricht obstacle course lies ahead

Ralph Atkins and Alison Smith examine the route the government must negotiate through parliament

IF ANY observer believed last week's government victory over Tory Eurosceptics marked the beginning of the end of the Maastricht treaty's ratification in the UK, the subsequent confusion has provided a sobering lesson in the realities of Westminster procedures - and Conservative party internal dynamics.

The way ahead resembles an obstacle course surrounded in fog for government business managers trying to steer the bill through parliament. Nobody is quite sure where the next hurdle lies or when the race will finish.

The government cannot say definitely when the bill will be finally approved. Even beyond that uncertainty it seems to be trying to appease both Euro-enthusiasts and Euro-sceptics with different - perhaps conflicting - messages.

The outline timetable is something like this: ● Before Christmas the bill will return to the Commons for that start of its "committee stage". Two or three days will be set aside.

(The formal "first reading" and two days of debate to give the bill a "second reading," and approve the broad principles of the legislation, took place before the Danish referendum in June.)

Eurosceptics are certain to raise hundreds of points of order, each of which has to be answered by Miss Betty Boothroyd, the Commons "speaker" who chairs parliamentary proceedings, and may in themselves take several days.

Then work will begin on the hundreds of amendments tabled by Maastricht's opponents and the opposition Labour and Liberal Democrat parties. Even though not all of these will be chosen for debate, and many of those that are will be grouped, that will still leave a substantial number of separate discussions, each of which could last a few hours. In practice little headway will be made with the substance of the bill before MPs leave for a Christmas holiday.

Mr Baker's warning was made at a Financial Times conference in London on World Electricity, as he prepared to give evidence in the House of Commons today to the select committee inquiring into the future of coal. Mr Baker said the reorganisation of the UK electricity industry had shown there was no "immutable law" which says electricity prices can only go up, not down.

Other legislation will be considered concurrently. There is no hint yet that the government plans to bring in a "guillotine" motion which would timetable debate. The official line is that the Maastricht treaty includes important constitutional change deserving serious consideration.

But the unspoken sub-text is that Eurosceptics were told last week that the "third reading" - which follows the committee stage line-by-line consideration of the whole bill - will not come before the second Danish referendum.

This, the government argue, will not be until May. While some Cabinet ministers believe the referendum and the third reading are not interdependent, Downing Street is sticking to the line that May is the most likely time for the Danish poll - and the third reading.

What happens if the detailed committee stage debate collapses well before then, so that the third reading could take place in April is not clear. Also unclear is what happens if the

Danish referendum is delayed beyond May.

● If the bill is to complete its passage through parliament before the end of the current session - as it must do unless the process has to start all over again - it will have to move to the House of Lords before the summer recess.

Peers' consideration of the bill cannot start until after the Commons' third reading. The process in the Lords is a similar mix of debate in principle and discussion of detail, finishing with a third reading debate.

Though by convention, peers do not throw out a bill that is a manifesto commitment, with many of Maastricht's most vociferous opponents in the upper house - including Baroness Thatcher and Lords Tebbit, Parkinson and Ridley - its passage there will not necessarily be smooth. Discussion of the bill will almost certainly straddle the lengthy summer recess and be completed in the "overspill" - the final weeks

of the session which come after the summer recess in October or November.

● If the Lords has amended the bill at all it must return to the Commons, as the final form of the legislation has to be agreed by both MPs and peers. If the alterations are only technical, there is hardly any scope for wrecking tactics by Euro-sceptic MPs. But if the Lords have made significant changes - perhaps inserting a clause ordering a referendum - that could trigger fresh debates, and fresh delays.

If MPs refuse to accept changes made in the Lords, the bill could "ping pong" back and forth between the two chambers until agreement is reached - although the Commons always has the final say.

This could mean a last minute rush to get the bill through before the end of the session. Usually the date for the state opening of the next session is fixed well in advance for sometime in November. The Queen cannot be delayed.

● In the final - and purely technical - stage, the Queen signifies her agreement, and this Royal Assent turns the bill into an Act, completing the parliamentary process.

## Cheaper electricity at risk warns power chief

THE CHIEF executive of National Power, the UK's largest electricity generator, warned yesterday that protection of vested interests in the energy industry may jeopardise the prospect of cheaper electricity.

Mr John Baker said that "though it is inevitably going to be a slow process, I have no doubt that electricity prices in the UK will continue to fall in real terms as competition bites and cost savings continue to be passed to the end user."

scenario assumed no outside intervention to protect vested interests and to reduce the impact of market forces.

Mr Baker's warning was made at a Financial Times conference in London on World Electricity, as he prepared to give evidence in the House of Commons today to the select committee inquiring into the future of coal. Mr Baker said the reorganisation of the UK electricity industry had shown there was no "immutable law" which says electricity prices can only go up, not down.

## Britain in brief



### Paying off debt remains priority

Consumers, unconvinced by lower interest rates, continued to make the repayment of debt a priority last month. Official figures published yesterday showed consumers paid back £60m more than they borrowed in September following a net repayment of £36m in August.

Almost all of last month's fall in consumer credit was accounted for by a big reduction in credit card debts. Lending by banks on credit cards that are part of the Visa or Mastercard system fell by £58m, compared with a fall of only £2m in August. Net lending by finance houses rose by £6m, while loans by building societies fell by £2m.

The figures from the Central Statistical Office also showed that new credit advanced to consumers rose to £4.4bn in September compared with £3.8bn in August.

### Banker's 9th freedom appeal

Fresh evidence has come to light undermining the decision to extradite fugitive banker Lorrain Osman to Hong Kong

to face multi-million-dollar theft and fraud charges, the High Court was told today.

Mr Osman, 60, Britain's longest-serving convicted prisoner, was making his ninth application in seven years for a writ of "habeas corpus" freeing him from custody at Brixton prison in south London.

His lawyer said statements incriminating him - made by a key witness and self-confessed receiver of bribes - had been in the possession of the Hong Kong government since 1984. But they were only released to the defence in recent months, he said, and showed that vital evidence in the decision to extradite was "totally worthless".

### Coal supply row

British Coal rejected criticism that it had lost an opportunity to sell large quantities of coal to ScottishPower when it responded to the electricity generation and supply company's request for coal supply quotations.

ScottishPower had asked coal producers to quote for the supply of 250,000 tonnes and indicated it would consider buying further quantities if the price was right.

Last week it agreed to buy 250,000 tonnes from British Coal and awarded contracts for 100,000 tonnes from private Scottish open-pit mines, plus 840,000 tonnes from suppliers in Australia, Poland, the former Soviet Union and the US.

When ScottishPower's orders were announced, British Coal said that if it had

known the electricity company was interested in buying more than 250,000 tonnes it would have tendered accordingly. ScottishPower said the tender document stated that it was prepared to buy more than the basic tonnage.

### Appeal over train targets

British Rail's InterCity sector has told the government that it cannot meet punctuality targets on some InterCity routes because lack of investment is making services unreliable.

It has asked for changes in the Passenger's Charter to allow for lower standards on routes such as the West Coast main line between London Euston, the West Midlands and the north-west, where investment is overdue.

However, it may also accept tougher standards for services on the East Coast main line between London King's Cross and Edinburgh, which has recently been modernised at a cost of £700m.

### Ulster talks draw to close

Northern Ireland's Unionist and nationalist leaders, plus Irish and British ministers will today meet in Belfast for what is expected to be the final session of talks on the province's political future.

Sir Ninian Stephen, the independent chairman, is expected to formally wind up the negotiations which started in April and have taken place in London, Dublin and Belfast.

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## NEWS: THE MATRIX CHURCHILL TRIAL

■ Cabinet ministers 'sought to suppress evidence' ■ Documents indicate Foreign Office warned of arms embargo

## Secret support of Saddam that went to the top

By John Mason and Richard Donkin

IT took the trial of three Midlands businessmen at the Old Bailey to provide the first firm evidence that the UK government encouraged shipments to Saddam Hussein's military machine and that senior ministers were aware of this policy.

Documents released yesterday give the first detailed information of how the government allowed the machine tool industry to make shipments with a known military purpose—some with possible uses in the manufacture of nuclear weapons.

Hundreds of pages of memos and letters between senior Whitehall officials show that senior ministers in the government of Mrs Margaret Thatcher were aware of what was going on.

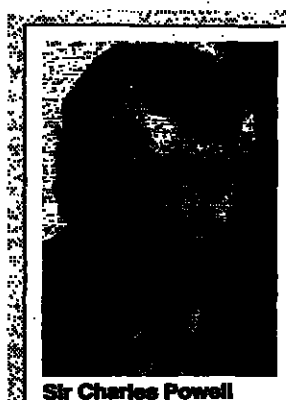
They also indicate that the former prime minister was kept abreast of the Whitehall debate over exports to Saddam's military machine which continued to whittle away at Iraq's invasion of Kuwait.

Few British trials have been so dominated by a sub-plot of political intrigue.

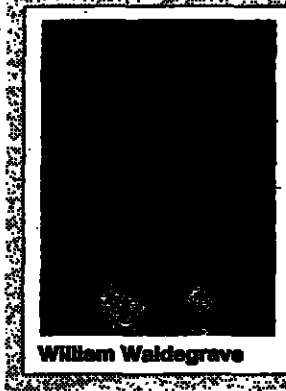
An array of witness box confessions came from senior civil servants, officers from MI6 and MI5, giving evidence concealed behind screens, and Mr Alan Clark, the pugnacious former defence minister in Mrs Thatcher's government.

Four ministers, three of them cabinet members, tried to suppress the evidence, the defence claimed. They failed and yesterday, the case, prosecuted by HM Customs and Excise, collapsed amid recrimination and embarrassment.

The trial for the defence, representing three former executives of Matrix Churchill, the Coventry lathe manufacturer accused of exporting restricted machine tools to Iraq, began to



Sir Charles Powell



William Waldegrave

Previously classified documents released to the court in the Matrix Churchill trial demonstrate how the government was driven into a corner by its secret policy on exports to Iraq. The alarm bells began ringing in the DTI after Customs started investigating Matrix Churchill weeks before the invasion of Kuwait. The DTI wrote to Customs warning that ministers would discuss the affair, and also wrote to the then trade and industry secretary Nicholas Ridley in June 1990 expressing worries about "dirty washing" emerging. Margaret Thatcher and her private secretary, Sir Charles Powell, were informed about the gravity of the affair, the DTI wrote. The trial heard that foreign office minister William Waldegrave and trade minister Alan Clark were pivotal to approving the exports to Iraq.

turn when Judge Brian Smedley agreed to the release of some 500 previously classified documents.

Every document was damaging, said Mr Kevin Robinson, solicitor for Mr Paul Henderson, one of the three defendants. But what he called "the Koh-i-Noor" was a typed sheet from the Foreign Office with a handwritten note. Signed by an official on the Middle East desk called Michael Blackley and marked confidential, it warned

that a UN arms embargo in January 1990 would affect the shipment of machine tools to Iraq. "The licences should not for the moment be revoked," it said, "but if it becomes public knowledge that the tools are to be used to make munitions, deliveries would have to stop at once... the companies should be warned of the falling gunnities and urged to produce and ship as fast as they can."

The drama which ended in court yesterday began in the

middle of the bloody Iran-Iraq war, in October 1984. The then foreign secretary Sir Geoffrey Howe declared an embargo on lethal equipment to either side. Ministers pretended this remained policy when the war ended but, by the end of 1988, Iraq had, in fact, become the third biggest market for the machine-tool industry.

The bulk of the documents suggest the desire to sell to the Iraqi military establishment was primarily trade-driven.

Any accusation of political motivation is not proven. However, in the minutes of a meeting of top Whitehall officials marked "secret" in March 1989, it is agreed that the guidelines for sales of arms to Iraq and Iraq should be more "flexibly" applied to Baghdad.

Matrix Churchill was one of a dozen British companies secretly allowed to Saddam supply with the arms-related technology he wanted.

In March 1989, the DTI, with

the backing of the FCO and the MOD, approved the export to Iraq by Matrix of sophisticated lathe equipment which, the documents show, officials knew could be used for developing nuclear weapons.

A February 1989 note from the private secretary of Mr William Waldegrave when he was a foreign office minister says the Matrix Churchill "machinery in question has legitimate civil uses - but could also be employed in munitions manu-

facture, or even uranium enrichment."

The letter also added the comment that Mr Waldegrave was inclined to support recommendations that the applications be approved. "He has commented that 'screwdrivers are also required to make hydrogen bombs,'" it notes.

According to the documents released yesterday the DTI and Customs allowed a final order of machines for making fuses to be sent to Iraq on July 27 -

less than two weeks before the invasion of Kuwait.

The ostensible reason for the collapse of the trial was that the evidence given by Mr Clark contradicted the case brought by HM Customs.

It is now clear that Mr Clark's evidence was only part of the story. Confidential memos show that Mrs Thatcher was being briefed on the bones of the DTI policy.

Further evidence of the former prime minister's knowledge of the policy emerged in a later memo on June 1990 from Mr Martin Stanley, the principal private secretary of Mr Nicholas Ridley, the then trade and industry secretary, to the Customs and Excise. The memo makes it clear that Customs and Excise action against Matrix would be discussed by Mrs Thatcher and her ministers.

Whitehall concern about the Customs action had become apparent six days earlier in a memo from a senior DTI official to Mr Ridley. "The dirty washing liable to emerge from the action proposed by Customs and Excise will add to the problems caused by the gun (the Iraqi Supergun). For the DTI the timing is extraordinarily embarrassing given recent correspondence between ourselves, MoD and FO."

A number of companies were encouraged to export arms-related equipment to Iraq. But only Matrix Churchill, the biggest of 17 British exhibitors at the 1989 Baghdad Arms Fair, was charged with evading DTI controls. That Customs maintained its prosecution knowing what would emerge and the embarrassment that it would cause other parts of Whitehall is an intriguing question. Some point to its independent role as a prosecutor and to its frustration with the DTI at obtaining any convictions over the Supergun affair.

'I never saw myself as a spy but I suppose that is exactly what I was,' says British businessman who risked life for MI6

## Midlands man tells of secret life as spy in Iraq

THE engineering heartland of the Midlands which moulded businessman Mr Paul Henderson might have been a world away from Whitehall when he stepped off a train at Euston station one day in September 1989 to be greeted by his control officer.

This was Henderson, the spy, a man who for the best part of 20 years had been risking his life for British intelligence.

In his first full interview to be published after the end of his trial yesterday, Mr Henderson spoke about his secret life and how he juggled the role of businessman and spy.

For years he had placed his life in the safe-keeping of MI6, which he had long since come to trust. It was a trust that would be sorely tested in the months ahead.

He recalled the rest of that September day. A chauffeur-driven grey Ford Granada took them to a building overlooking the Mall. They were escorted into an opulent room for a day-long session of intense questioning.

Seated on one side of an oval table was Mr Henderson, managing director of Matrix Churchill, the Coventry machine tool manufacturer he had joined as a boy apprentice more than 30 years earlier.

Facing him was a panel of six officers, mostly scientists attached to MI6. All were introduced using first names only. They proceeded to drain him of his knowledge of Eastern Europe and Iraq.

They broke for lunch and walked the short distance to a gentleman's club in Pall Mall. Fresh scientists were introduced for the afternoon session, which concentrated on eastern Europe. When the session ended, the party walked across to the Foreign Office before they dispersed.

"Later I went back and retraced my steps. I must have

walked that route 10 times, from the house, to the club, back to the house and over to the Foreign Office to be sure of where I went that day," said Mr Henderson.

Even now, with the Cold War and the Gulf war part of history, he refuses to disclose the full details of what he revealed. Part of what he told them emerged in the trial. Another part remains veiled in spite of his disillusionment with an intelligence service which he had loyally served since 1973.

For the best part of 20 years he concealed his intelligence work from his colleagues and family, including his wife. Only his close friend and colleague Mr Mark Gutteridge was party to the secret and Mr Gutteridge was himself encouraged to pass information to the intelligence services.

Mr Henderson was working in a deadly business for which he could have paid with his life. He worked to basic ground rules. "I never made notes or contacted anyone in a country in which I was staying. I never made phone calls," he said. He was told by his controllers always to memorise numbers and names. "My memory was not that good and I wrote the numbers down against made-up names," he said.

His first encounter with British intelligence was in 1973 when he became managing director of Matrix Churchill International, which handled the export sales of the machine tools division within the TI Group of companies, to which Matrix Churchill then belonged.

Four officers of MI6 - two men and two women - visited the factory to give a briefing on what to do and what not to do for sales staff working behind the Iron Curtain. "It was a bit late for me because I had already been travelling there for four years. But it was

## Diary of events

April 1989  
Matrix Churchill exhibits at Baghdad Arms Fair

September 7 1989  
MC admits, to Financial Times, selling equipment to Iraq linked to unauthorised BNL loans

September 18 1990  
US government seizes MC Corp

September 19 1990  
UK freezes MC bank accounts

September 22 1990  
DTI grants MC licence

October 16 1990  
Customs and Excise raid factory; three directors questioned for two days

November 6 1990  
Terms agreed for sale of MC to Automation Investments

January 17 1991  
Iraqi directors detained

February 22 1991  
Iraqi directors allowed to leave UK

April 9 1991  
Managers arrested

July 22 1992  
MC goes into receivership

all pretty common-sense stuff," he said.

A few days later one of the women phoned back. For the next two or three years she became his controller. They met in pubs and cafes whenever he returned from his visits to the eastern bloc. "I went to every eastern bloc country in that time. I was travelling eight months of the year," he said.

Over the years his controllers changed but they remained hungry for information. "They would tell me what they were looking for and I would decide whether I would



Led the shadow life of a spy for nearly 20 years: Paul Henderson

do it or not; simple as that," said Mr Henderson. He was never paid and never asked for payment. "I did it because at the end of the day I thought it was the right thing to do and it was helping my country," he said.

"I never saw myself as a spy but I suppose at the end of the day that's exactly what I was doing."

His business was machine tools, a business for which Britain was once renowned. Matrix made lathes that could turn almost anything from kettles to colanders. They could make shell casings and had

served the munitions industry for more than 100 years.

The company traded heavily with the Soviet bloc and had 1,200 machine tools installed in the Soviet Union. "You don't sell a thousand machine tools to the Soviet Union without some having a military capability," he said.

In 1986 Mr Henderson was elevated to the prestigious position of joint chairman of the Anglo Soviet Working Group on the development of machine tool trade. The other joint chairman was Mr Boris Kurakin, a deputy minister of machine tool manufacture in

the Soviet Union. Then, in 1987, at the end of the Iran-Iraq war, a delegation of Iraqis introduced by an Essex businessman called Mr Roy Ricks visited Henderson.

"I didn't think we would get any business out of them and thought we were wasting our time," said Mr Henderson. The company received a £15m order for CNC lathes to be used in the manufacture of 80mm, 122mm and 155mm shells. Their use for Iraq's munitions industry was accepted by the then trade minister Mr Alan Clark.

Other machine tool companies were also reaping the benefits of Iraq orders to re-equip its defence industries. BSA Tools, Colchester Lathes and Wickman Bennett all had orders for machine tools for the Iraqi defence industry.

The UK had a policy against supplying Iran or Iraq with potentially lethal equipment but, as Mr Clark later told the court, this was an "elastic" policy which could be stretched to include machine tools.

Later that year TI, the parent company, was contacted again by Mr Ricks on behalf of Iraqi interests which wanted to buy Matrix. The Iraqis had made earlier inquiries at other machine tool companies. Sir John Cuckney, the former MI6 officer who had been a non-executive deputy chairman of TI at the time of the sale, said later that there had been nothing unusual about selling Matrix to an Iraqi company.

The price had been a good one and TI had wanted to sell it. Mr Henderson now believes that the deal had greater significance. "There is no doubt in my mind that the business was sold to the Iraqis so that we could monitor them."

Mr Henderson put the deal together, negotiating with Iraqi intelligence officers posing as businessmen. He recalls Dr

Safa Habobi wearing the military uniform of a brigadier, but this was not unusual in the Ba'ath Party where everyone has a right to a military rank. Mr Henderson would later be told by MI6 that both Habobi and Kadhum were members of Iraqi intelligence.

The Iraqi ownership gave Mr Henderson the perfect opening. He could now amass information for the British government while doing business for his company. "I used to drink with Iraqi officials until two or three (in the morning)," he said. "Booze is a great loosener of the tongue. I found things out that maybe I shouldn't have found out."

Was he aware of the risks he was taking? "After a couple of years I suddenly began to realise that at the end of the day I was putting myself at risk. But that was all there was to it."

From mid 1988 his MI6 controller repeatedly asked one question: did he know anything about project Babylon? "I was confusing this at first with the Lion of Babylon programme which referred to the refurbishment of tanks. It was only later I understood they were asking me about the supergun programme."

With hindsight, this was a vital clue which suggests that British intelligence may have begun assembling a picture of Iraq's supergun project as early as mid 1988. This is earlier than any intelligence officer has admitted to MPs.

It has taken two years for Mr Henderson and his lawyers to piece together the broader picture of the British government relationship with Iraq. It took an Old Bailey trial to drag it out into the open.

For future businessmen who might do as he did he warns: "Make sure you have everything in writing."

Richard Donkin

## Raffish minister attracted myths

By Ralph Atkins

GENTLEMANLY, unpredictable, wealthy, sardonic, and brimming with self-confidence bordering on the arrogant, Mr Alan Clark's character as a minister was rich in every sense of the word.

Some of the stories about him may be apocryphal but he is the sort of raffish character who attracts and almost reveals in myth.

On becoming a minister he was supposed to have looked at the modest official car and remarked: "You expect me to get in that?" before arranging for his own Jaguar to carry him with suitable dignity.

He accused other European countries of "rummaging for the cellars" during the Gulf war and joked of "homo bongo" land.

He survived partly because he was close to Mrs Margaret Thatcher, the former prime minister, who appreciated his quirkiness and maverick market zeal. He was a tall, debonair old Etonian who was far more prepared than most ministers to speak his mind - even where it ran roughshod over government policy or over ministerial sensibilities.

But he is full of ironies. In spite of his aristocratic background - he is the son of Lord (Kenneth) Clark, the art historian - he is also an opponent of blood sports. He is personable and highly affable but, with his cavalier manner, did not always get on with senior military commanders during his time as a defence minister.

After serving at the defence ministry and then trade and industry, and after nearly 20 years in Parliament, he stood down as MP for Plymouth Sutton at the general election, aged 64, to pursue other interests, including military history.

Since retirement from politics he has been preoccupied with writing his memoirs and driving vintage cars - and his court appearance over Matrix Churchill.

With the Commons having been deprived of many of the strongest characters of the 1980s, he would perhaps have been too colourful a character to have enjoyed himself much longer.

Yesterday, with typical aplomb, he was refusing to respond to the profusion of media calls for an interview.

## Machine tool industry decimated by embargoes

By Richard Donkin

BRITAIN'S machine tool industry has been decimated by the loss of business resulting from embargoes on Iraq.

In 1990 the UK machine tool industry had no exports to Iraq. This was before the Department of Trade and Industry sponsored British companies to take part in Iraq's first international trade fair following the end of the Iran-Iraq war.

In the space of two years UK machine tool manufacturers

were enjoying sales of £31.4m, promoting Iraq to number three after the US and West Germany in the table of Britain's machine tool export markets.

Most of Britain's machine tool makers had exports to Iraq at the time. Many of the exports were being used by the manufacturer of munitions.

Seven years later, with the Iraqi market destroyed and with the refusal of the government to countenance a new market in Iran, the UK survivors of the high technology

end of the industry can be counted on one hand.

Matrix Churchill, the company with the biggest Iraqi orders, is in receivership; Wickman Bennett, of Coventry has also ceased production. It agreed a fine with Customs and Excise over exports to Iraq.

Mr David Phillips, an industry consultant, said much of the production lost as a result of the Iraqi debacle had been at the most technical end of the market, making "the kind of lathes the world buys."

## Collapse provokes questions in US

By Alan Friedman in New York

THE collapse of the Matrix Churchill trial triggered an immediate political reaction in Washington, where the Bush Administration has been accused by members of Congress of covering up its knowledge and possible involvement in the activities of the UK company's Ohio affiliate.

Mr Henry Gonzalez, chairman of the House Banking Committee, has accused the White House of covering up the entire Matrix affair, especially as the machine tools maker was financed by the Atlanta branch of Italy's Banca

Nazionale del Lavoro (BNL). The BNL affair, along with the role of Matrix and other companies, has been dubbed "Iragate" in the US. Mr Bill Clinton, the president-elect, called during his campaign for a special prosecutor to investigate the affair.

Congressional investigators have compared the trial of Mr Paul Henderson, the former Matrix managing director who worked for British intelligence services, to the US court hearings concerning Mr Christopher Drogoul, the former BNL Atlanta manager who said he loaned \$65m to Iraq with the knowledge and approval of US government officials.

The US assets of Matrix Churchill - which was the linchpin of Iraq's clandestine military procurement network - were frozen two years ago by the US Treasury, as were the assets of Mr Anees Mansour Wadi, an Iraqi associate of Matrix whose California company (Bay Industries) was also identified by the US government as part of Baghdad's arms supply network.

Congressional investigators said yesterday the disclosure in London that the UK government also knew of Matrix's relations with Mr Carlos Cardoen, the Chilean arms supplier of Mr Saddam Hussein, appeared to contradict previ-

ous denials by the White House that Washington gave covert support to Mr Cardoen.

Mr Dennis Kane, the House Banking Committee staffer who has led Congressional investigations into the Iragate affair, said the developments in London were of signal importance. "President Bush, Brent Scowcroft, his national security adviser and other officials have claimed it was not US policy to arm Iraq. Revelations in the Matrix Churchill case raise serious questions about the veracity of their statements and raise the question of whether the US in fact illegally helped to arm Saddam Hussein."



You may think the meals you eat are full of taste and goodness, but they are usually full of something else as well — additives, the host of flavourings, sweeteners, preservatives and colourings used by the food industry to enhance or disguise their products and make them last longer.

To the average consumer, the number of approved additives in the UK, currently 300, might seem more than enough for a healthy diet. But next year, when the Single European Act comes into force, it will jump to as many as 412.

The logic behind permitting such a big leap in the array of "E" numbers which describe each additive is hard to follow. None of the extra 112 additives that might appear in people's food is a new chemical that has been discovered in the past couple of years. Some are banned in the UK at the moment: in the case of the sweetener cyclamate, since the 1960s.

Nor does the UK presently have a more rigid set of standards for allowing additives than other countries. It is the least restrictive, with the longest "approved" list in Europe. Germany, by contrast, allows just 150, while Greece allows only 120. For these countries, the shock will be even greater. "What's being allowed isn't the lowest common denominator," says Erik Millstone of Sussex University's Science Policy Research Unit. "In fact it's lower than that. Even standards in the UK will decline, as they will across the EC."

Millstone often lobbies against the food industry's interest in putting what he sees as unnecessary chemicals into foods. He is up against considerable competition. The food industry in Europe is comparable in size to the defence industry. In the UK the spending on additives alone is worth \$450m; throughout the EC it totals \$1.8bn.

But why are additives used at all? There are two principal

From next year, the EC will have 412 approved food additives. Charles Arthur examines their contents and asks why we need so many

## Prawn crisps and politics

reasons: people want food that will last longer (meaning it can be transported further and stored for longer), and manufacturers have discovered that the taste buds are surprisingly easily fooled.

The first reason led to the development of antioxidants (which stop oils turning rancid) and preservatives (which discourage the growth of micro-organisms). The second has led to the real boom area: colourings, flavourings and sweeteners.

A few decades ago, food manufacturers looking to cut costs discovered that they could use

sweeteners are the most common added ingredients in processed foods. It is also why food companies keen to promote a quality image emphasise the additives they leave out of their products.

The rapid multiplication of additives has led to careful scientific testing, with products fed to laboratory animals to make sure they cannot be dangerous, even when consumed in huge quantities. This process caused the banning of cyclamate in the UK: experimental evidence suggested it caused rats' testicles to shrink.

Yet some additives that have

the EC Scientific Office, overseen by the EC Scientific Committee on Food, an international group of scientists.

Part of that work includes setting out rules for how much of an additive may be used in a food and in which foods each of the additives can be used, in a wide-ranging ruling which at one stage threatened an essential part of the British way of life, no less a product than the prawn cocktail crisp.

Certain additives will only be allowed in particular foods: for example, erythrosine (E127), a red colouring (used in many kinds of confectionery) only in glacé cherries; a pinkish colouring only in the "saucisson de Strasbourg" of France's Alsace; and Brown FK (E154), a colouring widely used in all sorts of fish products, only in particular fish.

The prawn cocktail crisp came under scrutiny because an early version of the list of approved sweeteners said certain strong additives could not be used in any snack. However, sweet crisp flavours (such as prawn cocktail) contain traces of aspartame or saccharin.

As can be imagined, the bargaining and lobbying at EC level over which additives should be allowed and in which foods has been intense. The political fighting has also been prolonged. "You can say that again," remarked a



spokeswoman for the UK's Ministry of Agriculture, Food and Fisheries.

The EC argued that the flavour of prawn crisps was artificial. "But sweeteners is a minefield, and has been for some time," the scientific committee relented after the UK said jobs would be lost; the day was saved for prawn cocktail crisps.

Yet to speak to some in the industry, the burgeoning list is hardly a matter for excitement. Malcolm Jones, managing director of Bensons Crisps of Kirkham in Lancashire, says: "We don't see a dramatic change coming. But it has to come to fruition yet."

His company, which employs 700 people and has sales of £25m, is the UK's fourth-largest crisp-maker — behind PepsiCo, Dalgely and United Biscuits. "A lot of representation has gone on through coun-

tries and vested interests," he says. "But nothing suggests that we've got problems."

Similarly, the Snack and Crisp Manufacturers' Association reckons it has headed off any difficulties. "We have done our homework," says Keith Nightingale, its director general. "It looks like we will be able to use the products that we wished to, in the future. We will be able to live with what ultimately emerges."

The word "ultimately" is carefully chosen: the legislation enabling all these changes has still to work its way through the European Parliament. Nightingale suggests this means that the 412-strong list will not become law from January.

However, others in and outside the industry disagree. The Single European Act, they argue, means that the list must come into force at the end of this year, and the scientific committee can add more numbers to it — and, possibly, subtract a few — as it goes along.

But it has still left some annoyed. "It has been a political rather than a scientific process," says Millstone, who belongs to a lobby group called the Food Additives Campaign Team. "The negotiations have been between industry and government, and communication with consumers has been excluded. The EC didn't call a meeting of the Food Consumers' committee for five years; people speaking for consumers were systematically excluded from the talks."

Millstone agrees that some of the extra additives are harmless. But, he says, "consumers had felt some progress was made in the late 1980s with the reduction in the number of additives such as colours. Now we will have synthetic colours such as tartrazine and amaranth (E123) on this list". The fight against the EC could be ready to start all over again once the clock strikes midnight at the end of 1992. So hang on to your prawn cocktail crisps.

## Technically Speaking

# Latest gadgets jump the gun

By Louise Kehoe



IT promises to be the electronics product of the 1990s, if its eager developers are to be believed. For busy managers on the move, the "personal communicator" — a portable battery-operated device able to send or receive written or spoken messages at any time, from almost anywhere — could be just what they have been waiting for.

"We believe personal communicators will have as much impact on personal communications as the telephone had in the early 1980s," enthuses Alain Rossmann, president and chief executive of Eo, an ambitious Silicon Valley start-up company which last week unveiled what it claims are the world's first personal communicators.

These all-purpose communications tools combine the functions of a cellular telephone, a facsimile machine and a pen computer. The question, however, is not so much whether the market is ready for them, but whether they are ready for the market.

Rossmann projects there will be 100m personal communicators in use by the end of the decade. He aims to make Eo a leader in the emerging market. It is not alone in pursuing this dream. Over the past few months, several of the world's largest personal computer and consumer electronics manufacturers as well as other ventures are expected to jump on the bandwagon.

The concept of an integrated wireless personal communicator is exciting. Imagine being able to scribble a note with an electronic notepad and transmit it directly via facsimile or electronic mail while waiting in an airport lounge, or retrieving messages left in an "electronic mailbox" from a hotel room, without connecting a computer to the telephone socket. You also have instant access to remote databases and on-line information systems.

But for all the exciting potential, the promise and reality of personal communications technology remain some distance apart. For one thing, Eo's first-generation personal communicators are far from being mass-market products. Priced at \$2,000-\$4,000 (£1,200-£2,500) they are targeted at "mobile professionals" whose work frequently takes them out of the office.

In this segment, Eo predicts its users by 1994. Prices will come down. Eo promises. Yet even "early adopters" of the latest technology gadgets may have some misgivings. Critical elements of the technology required to make personal communicators live up to expectations are still wanting. And cellular telephone networks do not yet provide a reliable medium for wireless data communications.

Sending data on the move is particularly prone to problems. Eventually, Europe's GSM digital cellular system and the growth of Cellular Digital Packet Data systems in the US should provide a more reliable method of sending data, but these are some years off.

Communications "anytime and anywhere" is Eo's goal, but do not even think of using a personal communicator on an airline flight. Although the manufacturers suggest that users will be able to prepare notes and messages during a flight and then send them when the aeroplane lands, this will depend upon the dispensation of airlines.

However, only about 10 to 20 per cent of buyers of the first generation of personal communicators are expected to opt for the add-on cellular telephone link, Eo says. Most users, therefore, will have to find a telephone to plug in their personal communicator, making on-the-move communications less convenient.

The fundamental weakness of these early versions of the personal communicator lie, however, with the limitations of today's hand-writing recognition programs. Like all "pen computers", Eo's personal communicators are irritatingly poor at reading the hand-written word, frequently misinterpreting even carefully printed characters. With some practice, users can improve their ability to write clearly on a computer slate. Eo maintains, but it takes some getting used to.

Instead, many "mobile professionals" may for the time being opt for a conventional and cheaper notebook computer, equipped with a modem. If you have to sit down by a telephone to send and receive your messages, then typing out notes and commands on a keyboard becomes less of a drawback.

Like early personal computers, Eo's first generation of personal communicators promise more than they can yet deliver. In its rush to be first to market, the company appears to have jumped the gun.



William Tell Monument, Amdor

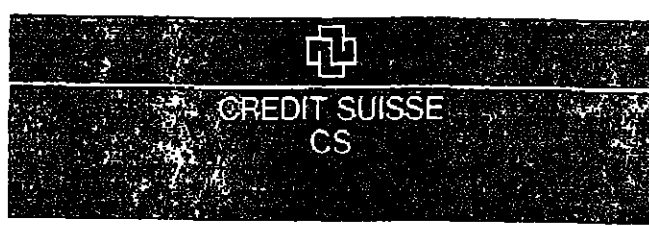


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## LEGAL NOTICES

### NOTICE OF CREDITORS' MEETING

#### CAUSEWAY (MIDLANDS) LIMITED

##### IN RECEIVERSHIP

Notice is hereby given, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham B3 2DA on 26 November 1992 at 10.00 am for the purpose of having laid before it the report prepared by the Joint Administrators Receiver in accordance with the said Act and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by the Receiver in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill accordingly to the company as a security held by him (unless that other person is subject to a bankruptcy order or is liquidator). Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cook Gully, 43 Temple Row, Birmingham, B2 5TF no later than 12 noon on 23 November 1992. Failure to comply with this requirement will render any vote cast by them invalid. (Printed copies are not acceptable.)

Dated this 4 November 1992

For N. Chatterjee, Joint Administrators Receiver.

For S. J. Jones, Joint Administrators Receiver.

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## PUBLIC NOTICE

### PIPE-LINES ACT 1962

#### ELECTRICITY & PIPE-LINE

##### WORKS (ASSESSMENT OF ENVIRONMENTAL EFFECTS) REGULATIONS 1990

###### APPLICATION FOR PIPE-LINE CONSTRUCTION

###### AUTHORISATION

###### OVE ARUP & PARTNERS -

###### PROPOSED SUTTON BRIDGE

###### TO SUTTON BRIDGE POWER

###### STATION

###### NATURAL GAS

###### CROSS-COUNTRY PIPELINE

###### Over Arup & Partners hereby give notice, in accordance with the provisions of Part 1 of Schedule 1 to the Pipe-lines Act 1962 and the regulation 7(3) of the Electricity and Pipe-line Works (Assessment of Environmental Effects) Regulations 1990, that an application has been made to the Secretary of State for Trade and Industry for the grant of authorisation for construction of a cross-country pipeline.

###### The proposed pipeline, which is to be for the conveyance of Natural Gas is to run between British Gas, Gas Valve Compound, Bridge Road, Sutton Bridge and Sutton Bridge Power Station.

###### The pipeline will be owned by IFC Limited.

###### Copies of the map, on which the proposed route of the pipeline is delineated and which will run with limits of deviation of 200 metres on either side and the Environmental Statement (which accompanied the application) can be inspected during normal office hours in the following offices:

###### Room 3.1.1, Department of Trade and Industry, 1 Palace Street, London SW1E 5HE, Sutton Bridge, Public Library, Sutton Bridge Village Hall and at the offices of the following local authority:

###### South Holland District Council, Priory Road, Spalding, Lincolnshire.

###### A copy of the Environmental Statement may be obtained from IFC Information Centre, Bridge Street, Sutton Bridge, Lincolnshire PE11, whilst stocks last at a cost of £20.00 each.

###### Objections to this application should be made in writing, setting out the grounds of objection and bearing the reference PX 75/10671 and should be sent to the Secretary of State for Trade and Industry at 1 Palace Street, London SW1E 5HE (marked FAX 07 621 2000, Pipelines Administration) to arrive not later than Tuesday 8th December.

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###### 13 Fitzroy Square

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## MANAGEMENT: THE GROWING BUSINESS



## Women adopt more cautious approach

Women who set up in business are more cautious in their financial forecasting than men but are more likely to achieve their goals. Women expect to achieve an average turnover of £50,000 in their first year while men expect to reach £110,000, according to a survey by NOP Corporate and Financial.

The difference cannot be entirely attributed to the different sectors which men and women choose to work in because retailing was the most popular sector for both sexes, the researchers said.

Men who originally expected their first year turnover to be £130,000 achieved only £120,000 in their first 18 months while women who forecast sales of £45,000 in their first year managed £75,000 after 18 months.

Contact Allison Hewlett. Tel 071 631 0040.

## Factoring business on the up and up

The difficulties businesses face in being paid on time prompted a sharp leap in levels of activity in the UK factoring industry. The 11 largest factoring companies, which make up the Association of British Factors & Discounters, reported a 12.5 per cent increase in clients' business volumes to £11.6bn in the first nine months of 1992. Business in the third quarter alone rose by 15 per cent to £4bn.

Factoring companies collected debts in an average of 63 days compared with 64 days a year earlier.

## Age of the computer has yet to dawn

More than half of small businesses in the UK make no use of personal computers to improve their efficiency at work, according to a Mail survey for IBM.

In spite of the oft-proclaimed "workplace revolution" in the use of PCs, 53 per cent of businesses employing up to 10 people still manage invoicing and accounts, letter writing and maintaining work schedules manually. However, 6 per cent of businesses are

considering buying a PC "in the short term".

Businesses in the south are far more likely to have or to be considering buying a PC than those in the Midlands and the north. Sixty-six per cent of southern businesses have or plan to buy a PC compared with 46 per cent in the north and 38 per cent in the Midlands.

Of those firms which do not have a PC, only one in four believes it would help improve efficiency.

## Hardly a ringing endorsement

A quarter of small businesses do not answer their phone even after a total of 15 rings, according to a survey of 7,000 small businesses carried out by Thomson Directories.

Twenty-three per cent of businesses contacted did not answer their phone within five and 15 rings while 26 per cent did not answer after 15 rings.

## Guide aims to resolve cashflow problems

Poor cashflow management has been one of the main factors behind business failures in the present recession.

"Financing the Credit Gap", a new guide produced by Griffin Factors and the CBI, contains advice, examples, checklists and charts to help ease and predict cashflow and profits.

\*Available from Griffin Factors. Tel 0800 585507. 24 pages. Free.

## Buy-out activity continues to decline

The volume of large buy-out activity has been sharply reduced by the recession but there has been a much smaller fall, just 10 per cent, in the number of smaller buy-outs where management takes a majority stake, according to a survey\* by 3i, the venture capital group.

The review of 188 buy-outs financed by 3i showed that the average price/earnings multiple fell from 7.5 to 6.1 per cent between 1989 and 1991.

Individual managers invested on average just £40,000 in their company while the average investment by management teams was between £100,000 and £150,000.

The average ratio of debt to equity (gearing) of the buy-outs was relatively constant over the three year period at 1.75:1.

\*Management in the Majority. Marketing Department. 3i, 91 Waterloo Road, London SE1 8XP.

Charles Batchelor looks at a company that has adopted advanced manufacturing methods to take on the world

## Burning ambition to succeed

The world is full of frustrated or redundant senior managers looking for the opportunity which will launch them in their own business. Most would prefer a market niche where, in the early stages at least, they can build a company without treading on the toes of larger, well-established players.

In late 1988 John Crathorne fitted the bill of the frustrated manager. However, Stoves, the company he now heads, does not, at first sight, match up to the specification of an ideal business.

For Stoves, the revamped cooker manufacturing arm of Yale & Valer, is fighting for a place in a market dominated by multinationals. The kitchen appliance market is the almost exclusive preserve of global companies such as the US, Bosch Siemens in Germany and the Italian Merloni group (formerly Indesit).

These large companies have been developing global product ranges which currently dominate many national markets. Smaller companies with a narrower focus have either sold up or gone bust. Belling, a long-established UK manufacturer of electric cookers, recently folded though the business was subsequently acquired by Dimplex, a manufacturer of electric appliances.

So how does Stoves, with projected 1992-93 sales of less than £55m and a workforce of just 570 people hope to prosper, let alone survive? Crathorne, a former executive chairman of Thorn EMI's major domestic appliance division, believes the large multinationals' perceived strengths are in fact their weakness.

Stoves, in contrast, concentrates on cookers, modifying their design to meet the different cooking habits of each country. It has also adopted production control techniques more commonly found only in far larger companies.

"You can have a global dishwasher, fridge or vacuum cleaner but cookers must reflect national cooking methods," he says. "UK housewives do more baking and want even browning. The French

want a different heat balance. We may not know as much about white goods in general as Electrolux but we know more about cookers."

The original idea for an upmarket, British-made consumer durable came from Sean O'Connor, then a director of Lowe, an advertising agency, and now deputy chairman of Stoves. But it was Crathorne who narrowed the search down to cookers and who assembled a management team composed of senior managers from other large white goods manufacturers.

When Yale & Valer put its cookers division up for sale Crathorne won the backing of buy-out financiers Candover for a £12m management buy-in. In 1988, Crathorne's team took a 30 per cent stake in the business, which is based at Prescott on the edge of Liverpool. "It was a shell-shocked site, desperately under-invested," says Crathorne. "The employees had long since stopped trusting the management."

One of the first steps of the new management was to move from a line assembly system to one based on small groups or "cells" of workers responsible for the complete

assembly. The idea was to make the job more interesting and to give the workers responsibility for quality control. Under the old system 70 per cent of cookers coming off the line had defects. This figure is now down to just over 10 per cent.

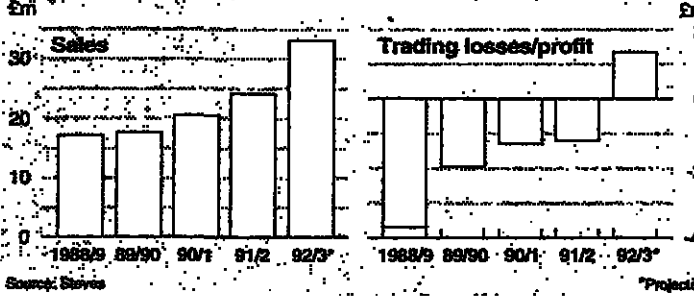
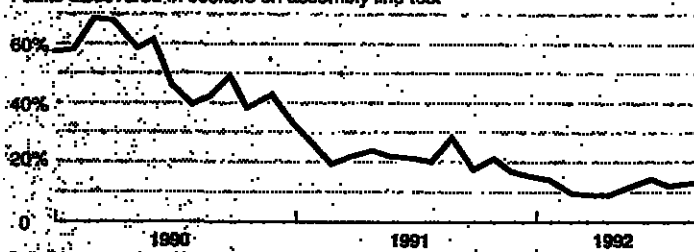
At the same time Stoves moved towards a system of just-in-time delivery and supply. It developed closer links with its suppliers and reduced their number from 250 to just 50. Under the old system Stoves had 16 suppliers of steel and carried £1m worth of stock. It now has one supplier and carries £40,000 of stock.

It also began a switch from what Jeff Kane, manufacturing director and the sole member of the old Yale & Valer team to join the new management, calls "hard tooling" to the use of computer numerically controlled (CNC) tools. Formerly the company would make cooker chassis using heavy presses and welding methods. Design changes took months to implement and were very costly as new dies were made.

It now uses CNC equipment to bend, cut and punch the metal struts which make up the cooker frames and water pressure to shape

## Stoves

Faults discovered in cookers on assembly line test



Source: Stoves



John Crathorne: led team that won backing for £12m management buy-in

the sheet metal which forms the cooker oven or "co-vites". In the year before the buy-in the company introduced four new models. In the three years since it has launched more than 200.

Installing the new production equipment took longer than expected but it now gives the company far greater flexibility in developing new products. Introducing a new cooker design using old tooling could take two years and cost £100,000 but the company can now design a new cooker in just five weeks at a cost of £2,000, says Kane.

Stoves protects its products and processes by registering patents at the rate of one a month but believes that part of its defences depend on its manufacturing methods. A competitor could copy a design in six months but unless it had similar manufacturing processes it would have difficulty replicating the exact design, says Ben Gostelow, engineering director and a former design director at Electrolux.

This work on changing production methods has gone hand in hand with a marketing campaign involving £400,000 in market research. The company has long been a big supplier to British Gas showrooms and to the caravan sector but Stoves has been working hard at developing new markets.

Stoves continues to supply its Valor range to the lower end of the market but it is pushing its more expensive Stoves range. Brand loyalty is practically non-existent in

the cooker market, says Guy Weaver, marketing director, so the market place is wide open to the new entrant.

Crathorne's team has taken the company from a £4m loss before the buy-in to its first projected profit of more than £1m this year, despite a 30 per cent contraction in the UK cooker market. It expects to increase pre-tax profits to around £5m on turnover of £55m in two years' time, without any increase in the size of its workforce.

So far so good. But can the company maintain this rate of improvement? As long as Stoves remains a small player it will probably be left alone but further growth may prompt a sterner response from the bigger companies.

While it has no immediate plans to increase the size of its workforce it may find that further growth increases the need for control of its independent "cell" structure. And can it maintain the productivity improvements achieved once the novelty has worn off?

An even more fundamental problem is that of the ownership of the company. The management is working to a five-year timetable to turn the company round after which time financial backers and the managers themselves may want to realise at least part of their investment. The danger is that Stoves would then be bought up by a larger competitor with the risk of losing the characteristics which have made it successful.

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## BUSINESSES FOR SALE

## Joseph Tipper Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Joseph Tipper Ltd.

This long established West Midlands engineering company is involved in both traditional black ironmongery and the manufacture of bespoke aluminium and steel cabinets.

## Principal features include:

- BS750 Part II certification for cabinet division.
- Freehold property comprising 75,000 square feet of accommodation.
- Dedicated foundry (details below).
- Fully equipped workshop.
- Highly respected supplier to the hardware trade.
- Skilled workforce.
- Annual turnover £3.5 m.
- Blue chip customer base.

## Rawnsley Foundry Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Rawnsley Foundry Ltd., a subsidiary of Joseph Tipper Ltd.

This traditional West Midlands foundry company is involved in hand crafted castings for both Joseph Tipper Ltd and other customers.

## Principal features include:

- Long leasehold property comprising 9,200 square feet of accommodation.
- Highly skilled workforce.
- Library of original patterns.
- Home of the "Rawnsley" patterns.
- Annual turnover £300,000.

For further information contact the Joint Administrative Receiver, Alastair Jones, KPMG Peat Marwick, Peat House, 2 Cornwall Street, Birmingham B3 2DL. Tel: 021 233 1866. Fax: 021 233 4390.

**KPMG** Corporate Recovery

## Clark Taylor (Coal)

The Joint Administrative Receivers of Clark Taylor & Company Limited offer for sale as a going concern the business and assets of Clark Taylor (Coal) division.

## Principal features include:

- Well established solid fuel wholesalers.
- Annual turnover £7.5m.
- Loyal and respected staff.
- Locations at Annan (Scotland), Gateshead and Exeter.

For further information contact the Joint Administrative Receiver, Geoff Adams, KPMG Peat Marwick, Maybrook House, 27 Grainger Street, Newcastle upon Tyne NE1 5JT. Tel: 091 232 8815. Fax: 091 230 4647.

**KPMG** Corporate Recovery

The Hildenborough Motor Company Limited  
The Wadhurst Motor Company Limited

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of two Kent motor dealerships.

## T/A Partners Hildenborough

- Major Volvo franchise dealership established 22 years
- Freehold site of 18,000 sq.ft.
- Turnover approx \$9m pa.

## T/A Partners Tunbridge Wells

- Major Citroen franchise dealership
- Freehold site of 12,000 sq.ft. purpose built in 1990.
- Turnover approx \$4m pa.

## Both sites have

- Substantial territories in West Kent
- Extensive customer base with corporate/fleet and private accounts
- Modern, fully equipped servicing areas and manufacturers approved body repair centre
- Fully integrated computer stock control systems linking to accounts function
- Skilled workforce with good admin support

For further information, please contact the Joint Administrative Receiver, Nigel Ruddock

## ROBSON RHODES

The Galleries, Station Road, Crawley, West Sussex RH10 1HY. Telephone: 071 885 2555. Fax: 0293 537921.

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- ★ Turnover £1m per annum
- ★ Substantial 3 month order book
- ★ Comprehensive and long established client base
- ★ Experienced and dedicated staff

For details, contact Michael Stevenson or Ruth Duncan on 071-328 1551 or 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

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BHT (UK) Ltd.  
BHT (Scotland) Ltd.

The Administrative Receivers offer for sale the business and assets of the above group of companies

- Electrical and mechanical design and installation engineering contractors
- Annual turnover exceeds £18 million
- Blue chip customer base
- Contracts in progress with current asset value of £820,000 with projected sales to final account of approximately £2 million
- Orders placed but not yet started of £2.5 million with further orders anticipated of £1.35 million
- Highly experienced engineering team including project management supported by in-house CAD department and highly qualified personnel
- Freehold property in Newcastle upon Tyne

All enquiries to Roger M. Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93a Grey Street, Newcastle upon Tyne NE1 6EJ. Telephone: 091-221 1222. Fax: 091-261 2916.

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GREEK EXPORTS S.A.  
REPEAT TENDER FOR THE HIGHEST BID

GREEK EXPORTS S.A., with registered office in Athens (17 Panepistimion Street) and in its capacity as liquidator in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, following the written statement (Ref. No. 582 of 30/10/1992) of the creditor of para. 1 of the above article, that the offers submitted are not considered to be in the interests of the creditors and in accordance with para. 11 of the same article

a repeat public tender for the highest bid with sealed, binding offers for the sale in toto of the assets of the company entitled HELLENIC MARBLES S.A. based in Aghios Stefanos, Attica, and is engaged in the quarrying, processing and sale of marble and its by-products. The company installations are on a self-owned plot of land 48,387 m<sup>2</sup> in area.

## TERMS OF THE TENDER

1. To this end, interested parties are invited to receive the Offering Memorandum from the liquidator and to submit a sealed, binding offer to the notary public appointed to the tender, Mrs. Andriani-Dimitra Zaphelopoulou-Economopoulou at 18 Voukourestiou Street, Tel. (01) 361.8249 up to 3rd December 1992 at 1900 hours.

The offer must be submitted in person or by the bidder's legal representative.

2. The bids will be unsealed before the above-mentioned notary on 4th December 1992 at 1000 hours in the presence of the liquidator. All those who have submitted bids within the prescribed time limit are also entitled to be present.

Bids submitted beyond the prescribed time limit will not be accepted and will not be taken into account.

3. The sealed, binding offer must clearly indicate the offered price for the purchase of the company's assets in toto and must be accompanied by a letter of guarantee from a bank legally operating in Greece, to the amount of one hundred million drachmas (100,000,000 drs.) or the equivalent in US dollars (US\$).

4. The Company's assets and all fixed and circulating constituent parts thereof such as immovable and movable property, claims, trademarks, titles, rights, for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.

5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

6. Prospective buyers hereinafter referred to as "Buyers" shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and signs the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of one hundred million drachmas (100,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank. Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.

9. The highest bidder is deemed the one whose offer has been judged by the Liquidator and approved by the Majority Creditors as being in their best interests.

10. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.

11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.

12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgage fees, rights and other expenses for drawing up topographical diagrams as required by law 651/77, etc.) are to be borne by the Buyer.

13. Those taking part in the auction will be committed to keep the enterprise operating.

For any information, interested parties can apply to:

a) The head office of E.T.B.A. S.A.  
Directorate of Public Holdings  
87 Syngrou Avenue (2nd floor)  
Tel. 30 1 92 94 395 and 30 1 92 94 396 and to

b) GREEK EXPORTS S.A.  
17 Panepistimion Street (1st floor)  
Tel. 30 1 32 43 111 to 30 1 32 43 115

STAINLESS AND SPECIALISED  
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**Cambridge Industries Plc**  
**Abernethy Industries Limited**

The Joint Administrative receivers offer for sale the business and assets of this manufacturer of revolutionary stainless steel products.

## Principal features of the business include:

- complete facility comprising hot rolling mill, dedicated tube mill, specification tube mill, crushing and billet preparation and python press
- bespoke patented machinery for recycling and compacting scrap metal, and compacting scrap metal in tube for recycling
- limited production of stainless steel products during commissioning
- leasehold property based in Briton Ferry, South Wales
- sale of assets and intellectual property rights.

For further information please contact Joseph P. Considine of Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ. Telephone: 0222 238823. Fax: 0222 345626.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**Cork Gully**

Alexandra  
Hotels PLC

(T/A Bramley Grange Hotel)

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of the above company. Principal features of the hotel include:

- Location 2 1/2 miles south of Cambridge on A281
- 49 bedrooms including 28 executive rooms
- Set in 7 acres of landscaped grounds
- Annual turnover of approx. £1.0 m
- Significant forward booking for 1993

For further information please contact Jason Ellis at Ernst & Young, Winton House, 19 Threadneedle Lane, Southampton SO1 1TW. Telephone: 0703 234210. Fax: 0703 237409.

**ERNST & YOUNG**

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REPEAT CALL FOR TENDERS FOR THE HIGHEST BID  
for the Purchase of Factory for Refrigerators and Ice Making  
owned by "KAROLOS FOC" Brewery, Ice and Malt Makers SA", of  
Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skoufariou Street, Athens, Greece, in its capacity as Liquidator of KAROLOS FOC Brewery, Ice and Malt Makers SA, a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990

is announcing repeat tenders for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the group of assets of the Company, composed of the Factory for Refrigerators and ice making, in Piraeus.

**BRIEF INFORMATION ON THE COMPANY AND THE FACTORY:** The Company was founded in 1927 and was involved in the production and trade in connection with brewery, ice and malt making. With the exception of the factory for refrigerators and ice making, the operation of the Company has ceased since 1993, when it was declared under liquidation under Law 2190/1990 and subsequently under Laws 1988/1993 and 1992/1990.

The Company's Factory for Refrigerators and ice making is the only production unit of the Company still in operation. It is profitable and the number of personnel amounts to 22. The facilities are located in Piraeus on a land of 4,075 m<sup>2</sup> and include 3 buildings.

**OFFERING MEMORANDUM-FURTHER INFORMATION:** Interested parties may obtain an Offering Memorandum and any further information, upon execution of a confidentiality agreement.

## TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. **Binding Offers:** For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 7th December 1992, 12.00 hours to the Athens Notary Public Anna Tsafra, address: 10-12, Ippokratous Str., Athens, tel.: +30-1-361.95.93 or 364.31.38. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate).

3. **Letters of Guarantee:** Binding offers must be accompanied by Letters of guarantee, issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum by a bank legally operating in Greece to be valid until the adjudication, for an amount of, say, fifty million (50,000,000) drachmas. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.

4. **Submissions:** Binding offers together with letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 7th December 1992, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), at their absolute discretion, upon suggestion of the Liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 25% compounded quarterly or yearly.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. Mention is hereby made that special additional terms shall apply in respect of the sale of the Factory for Refrigerators and ice making. In view of the fact that said production unit is in operation and will be sold and that the current assets are subject to daily variation, such special terms are included in the "Terms and Conditions of Sale" contained in the Offering Memorandum and in the "Terms and Conditions of the binding offers in relation to the value of the current assets, the transfer of the current assets and a possible arrangement in respect of the variation of the current assets during the period between the evaluation of the offers and the execution of the contract of sale.

9. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.

10. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers of the appointment of the highest bidder or any decision to reject or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The Liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

11. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator's agent: Mr. Nicolaos Barbantzas, address: 59, Panepistimiou str., ATHENS 105 63, tel.: +30-1-321.80.60 or 321.89.50 or 323.14.84, fax: +30-1-321.79.05.

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## PEOPLE

## Lucas fills the Edwards gap

Lucas, the aerospace and car components group recently shaken by some top management turbulence, has moved swiftly to replace Tony Edwards, the head of its aerospace division who abruptly decided two weeks ago to move to TI Group.

The company has appointed Frank Turner, an old hand at Rolls-Royce, the aero-engine and industrial power group, to take over as managing director of its aerospace activities.

Turner, the current director of Rolls-Royce's civil engine business and a well-known figure in the aerospace industry, will also join the Lucas board at the end of this month.



Aged 49, the Yorkshire-born Turner (above), has spent his entire working life with Rolls-Royce. He started as an

apprentice and moved on to become project manager of the RB211 engine assembly in the early 1970s. Before becoming director of the company's civil engine business, his posts included financial controller, manufacturing, general manager production, director of manufacturing for civil engines, director, company manufacturing engineering, and of industrial and marine.

A strong marketing man, he was closely involved in Rolls-Royce's efforts to expand its civil engine range and increase its market share at the expense of the UK company's two US rivals, Pratt & Whitney and General Electric.

## Bodies politic

John Rowe QC has been elected unopposed to succeed Lord Williams QC as chairman of the Bar for 1993.

Rowe, 56, has identified five areas on which he will focus during his year in office. He wants to set up free representation and advice schemes around the country to help people with cases before employment, welfare and immigration tribunals for which there is no legal aid; cut costs and delays in both civil and criminal courts; consolidate the Bar's equal opportunities policy; improve standards of education and training at the Bar; and encourage the Bar to adopt efficient, competitive methods in order to market itself more effectively.

Called to the Bar by Middle Temple in 1960 he practised on the Northern Circuit, based in Manchester, until he took silk in 1982. He is also a member of the Irish Bar. He has a general practice specialising in fraud, personal injury and medical negligence cases. Between 1980 and 1982 he was standing counsel for the Inland Revenue and he served on the Parole Board from 1987 to 1990.

John Cartwright, former SDP member for Woolwich, has been appointed a member of the POLICE COMPLAINTS AUTHORITY.

David Oake, former sales and marketing director of The Stewart Company, has been appointed director of marketing at the BRITISH HARDWARE &

HOUSEWARES MANUFACTURERS' ASSOCIATION. David Gilchrist, general manager, corporate development, of the Halifax Building Society, has been appointed a member of the NATIONAL CONSUMER COUNCIL.

John Stevens, formerly head of the Manpower Division of the National Economic Development Office, has been appointed director of professional policy at the INSTITUTE OF PERSONNEL MANAGEMENT.

Tony Beechey has been appointed executive chairman of the BRITISH MARINE INDUSTRIES FEDERATION; he was formerly a director of Dynamic Engineering in the US and was also Honorary British Consul in Virginia.

## Dales succeeds Hodson at Nationwide

Now is not the optimum time to become the finance director of a building society. The best hope of Alister Dales, who will become finance director of Nationwide Building Society in January, is that things will have calmed down by then after what he expects will be "a rocky couple of months".

Dales' short-term pessimism about society results due before the end of the year is balanced by a suitably cautious optimism about the longer term. He believes societies are "on the way to the road to recovery" from difficulties created by the slump in the domestic housing market.

He will succeed Daniel Hodson, deputy chief executive and finance director of the society, whose appointment as chief executive of the London International Financial Futures Exchange was announced at the end of last month. But he is keen to dispel any notion that the change will lead to a radical change of direction.

The most that Dales, aged 43 and currently divisional director for finance and controls, contemplates is "reworking a couple of things at the edges". He expresses determination to carry on the policies of Hodson, who recruited him from Morgan Guaranty to Nation-

wide in 1989. But he is not above expressing public admiration for the "degree of creativity" shown by other societies in trying to stimulate sales, and rent repossessed properties. "There is a lot to be done, but there is a lot of creativity out there, and a commitment to get things sorted out."

Tim Melville-Ross, the society's chief executive, is full of praise for Dales' range of experience at Morgan Guaranty in Brussels, Amsterdam and London. But his main task for the moment will be the hard graft of cutting costs and improving operations in the traditional domestic business.

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Vought (office holder number 5208) J M Ivimey

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## Treuhandanstalt

(The government agency privatising eastern Germany property)

## Third Tender for the sale of AGRICULTURE ESTATES and INDUSTRIAL OBJECTS plants in Eastern Germany

Object-number, -name, location (in brackets: Main area of expertise [changes are generally possible]/size with average soil point number)

## AGRICULTURAL ESTATES

## Mecklenburg-Vorpommern

(LW-67) Estate Radegeest/Behrenshagen of the Gut Sadow GmbH LA.

O-2574 Sadow

(Market crops, formerly sheep breeding / approx. 501 ha, 471 ha of these are plowland of 45 soil points and 18 ha grassland)

(LW-68) Estate Mielkenhagen of the Gut Sadow GmbH LA.

O-2574 Sadow

(Market crops, fodder, dairy cattle/approx. 479 ha, 434 ha of these are plowland of 40 soil points and 26 ha grassland)

(LW-69) Estate Gerdshagen of the Gut Sadow GmbH LA.

O-2574 Sadow

(Market crops, formerly cow fattening and pig fattening/approx. 229 ha, 209 ha of these are plowland of 40 soil points and 12 ha grassland)

(LW-70) Estate Rosenhagen of the Gut Sadow GmbH LA.

O-2574 Sadow

(Fodder, formerly dairy cattle and cow fattening / approx. 301 ha, 273 ha of these are plowland of 40 soil points and 18 ha grassland)

(LW-71) Animal breeding Leppin GmbH O-2151 Leppin

(Market crops, formerly sheep breeding/approx. 1,013 ha, 781 ha of these are plowland of 42 soil points and 146 ha grassland)

(LW-72) Estate Sophienhof of the Gut Loitz GmbH LA.

O-2033 Loitz

(Market crops, fodder, formerly dairy cattle and pig fattening/approx. 476 ha, 348 ha of these are plowland of 39 soil points and 115 ha grassland)

(LW-73) Estate dairy cattle of the Tierzucht Groß Stieten GmbH O-2401 Groß Stieten

(Market crops, fodder, dairy cattle/approx. 300 ha, 168 ha of these are plowland of 39 soil points and 120 ha grassland)

(LW-74) Plant production operations of the Tierzucht Groß Stieten GmbH O-2401 Groß Stieten

(Market crops, fodder/approx. 177 ha, 150 ha of these are plowland of 50 soil points and 20 ha grassland)

(LW-75) Estate Großen Luckow of the Agrarut GmbH Großen Luckow O-2051 Großen Luckow

(Market crops, fodder, dairy cattle, piglet breeding/approx. 626 ha, 508 ha of these are plowland of 47 soil points and 36 ha grassland)

(LW-76) Estate Bierz/Bocholtz of the Agrarut GmbH Großen Luckow O-2051 Großen Luckow

(Market crops, fodder, dairy cattle, piglet breeding/approx. 362 ha, 119 ha of these are plowland of 39 soil points and 157 ha grassland)

(LW-77) Estate Rothenmoor of the Agrarut GmbH Großen Luckow O-2051 Großen Luckow

(Formerly market crops and fodder, grazing center, dairy cattle/approx. 485 ha, 254 ha of these are plowland of 32 soil points and 176 ha grassland/Possible use: tourism, hunting)

(LW-78) Estate Schönnow/Jamkow of the O-1321 Blumberg GmbH LA.

O-1321 Blumberg

(Market crops, fodder, young cow raising / approx. 723 ha, 549 ha of these are plowland of 33 soil points and 168 ha grassland)

(LW-79) Kloprow operations of the Tierzucht Klockow GmbH O-2131 Klockow

(Market crops, formerly fodder, sheep/approx. 785 ha, 614 ha of these are plowland of 52 soil points and 90 ha grassland)

(LW-80) Tierzucht Groß Langerwisch GmbH O-1921 Groß Langerwisch

(Market crops, fodder, dairy cattle, sheep / approx. 519 ha, 387 ha of these are plowland of 43 soil points and 90 ha grassland)

(LW-81) Gut Ressen GmbH O-7531 Ressen

(Fodder, dairy cattle/approx. 347 ha, 308 ha of these are plowland of 26 soil points)

(LW-82) Estate Landhof Wriezen of the Gut Wriezen GmbH LA.

O-1313 Wriezen

(Market crops, fodder, pig fattening/approx. 303 ha, 222 ha of these are plowland of 27 soil points and 45 ha grassland)

(LW-83) Estate Rosenhagen of the Gut Perleberg GmbH LA.

O-2910 Perleberg

(Market crops, fodder, dairy cattle, young cows / approx. 226 ha, 168 ha of these are plowland of 45 soil points and 50 ha grassland)

(LW-84) Gut Labusa GmbH O-7901 Labusa

(Market crops, fodder, dairy cattle, cow breeding/approx. 513 ha, 344 ha of these are plowland of 34 soil points and 168 ha grassland)

(LW-85) Gut Lychen GmbH LA.

O-2093 Lychen/Türksdorf

(Formerly market crops, piglet production, sheep breeding, many buildings exist/approx. 169 ha, 108 ha of these are plowland of 24 soil points and 13 ha grassland)

(LW-86) Gut Görtdorf GmbH LA.

O-7981 Görtdorf

(Market crops, formerly dairy cattle and pig fattening/approx. 1,886 ha, 1,231 ha of these are plowland of 40 soil points and 272 ha grassland [partial purchase possible])

(LW-87) Estate Prieblitz of the Gut Köhren-Sahlis GmbH LA.

O-7234 Köhren-Sahlis

(Formerly market crops and fodder/approx. 120 ha, 104 ha of these are plowland of 55 soil points and 14 ha grassland [area exchange with neighbors is possible])

(LW-88) Estate Roderdorf of the Gut Wasserthaleben GmbH LA.

O-9901 Roderdorf

(Formerly market crops, dairy cattle/approx. 239 ha, 161 ha of these are plowland of 25 to 60 soil points and 60 ha grassland/Possible use: gastronomy)

(LW-89) Estate Gellisdorf of the Gut Roderdorf GmbH LA.

O-9901 Roderdorf

(Formerly market crops/approx. 170 ha, 127 ha of these are plowland of 31 to 55 soil points and 32 ha grassland/Possible use: gastronomy, tourism)

(LW-90) Estate Schand of the Gut Roderdorf GmbH LA.

O-9901 Roderdorf

(Formerly market crops and pigs/approx. 78 ha, 65 ha of these are plowland of 33 to 47 soil points and 6 ha grassland)

(LW-91) Estate Ottenhausen of the Gut Wasserthaleben GmbH LA.

O-5401 Wasserthaleben

(Formerly market crops and fodder, formerly cowbreeds, 176 ha, 171 ha of these are plowland of 56 soil points and 2 ha grassland [area exchange with neighbors is possible])

(LW-92) Wochowsee manor O-1233 Wochowsee

(Former riding school and gardening company, areas on the lake/approx. 209 ha, 46 ha of these are plowland of 27 soil points, 48 ha grassland/Possible use: gastronomy, tourism)

(LW-93) Agricultural areas of the Gut Lychen GmbH LA.

O-2093 Lychen/Türksdorf

(Former company building 2,900 sqm/Possible use: industrial estate)

(LW-94) Tourism center of the Gut Lychen GmbH LA.

O-2093 Lychen/Türksdorf

(Buildings and extensively cultivated land around lake/approx. 13 ha/Possible use: riding school, gastronomy)

(LW-95) Agricultural area in the yard area and park of the Gut Wasserthaleben GmbH LA.

O-5401 Wasserthaleben

(Unused buildings in the village/approx. 20,000 sqm/Possible use: housing or industrial area, recreational park)

(LW-96) Agricultural area of the Gut Wasserthaleben GmbH LA.

O-5401 Wasserthaleben

(Unused area in the village/approx. 9,000 sqm/Possible use: industrial area)

LA.: in reconstruction

## Tender Conditions

- In accordance with its legal mandate, the Treuhandanstalt intends to sell the aforementioned agricultural companies and estates by means of a tender in the following manner:
  - bids for a company in the legal form of a limited liability company (GmbH/LA) must be for the total share capital of a company;
  - bids for an estate must be for all land assets (buildings, equipment, and real estate), with inventory and standing crop to be valued at the time of acquisition;
  - bids for an industrial estate must be for the real estate and buildings.
- Anyone is entitled to bid.
- In deciding among the bids, the Treuhandanstalt will take into consideration, among other things, the bid price, the business plan submitted, commitments

# City solicitors ride the recession

British charges have not been cut and they compare unfavourably with big US firms, argues Robert Rice

Are British companies paying too much for legal services? Are the UK's top commercial law firms really the most expensive in the world, charging \$235 an hour more than their US counterparts? Recent evidence suggests the answer to both questions is yes.

First, the International Financial Law Review produced figures which showed the average hourly rate for legal advice from a partner in a top City of London law firm has risen by 20 per cent over the last 12 months to \$585 per hour.

The top rate for a partner in the most expensive Wall Street firms was \$360 per hour and the average hourly rate for partners in US law firms was \$230 (see table).

Then, Mrs Yve Newbold, Hanson

company secretary, speaking at the English solicitors' annual conference in Birmingham last month, attacked "unrealistic" commercial law firms for their failure to reduce their charging rates during the recession.

Finally, a Gallup survey of 200 large and medium-sized UK companies published yesterday revealed that 57 per cent of companies using London law firms and 48 per cent of all the companies surveyed felt they were paying too much for legal advice.

Thirty-four per cent said they had been overcharged by lawyers in the past two years.

The case for the prosecution looks strong but does it stand up to cross-examination? Mrs Newbold stands by her criticism but is quick to point out that Hanson has no

problems with the law firms it uses.

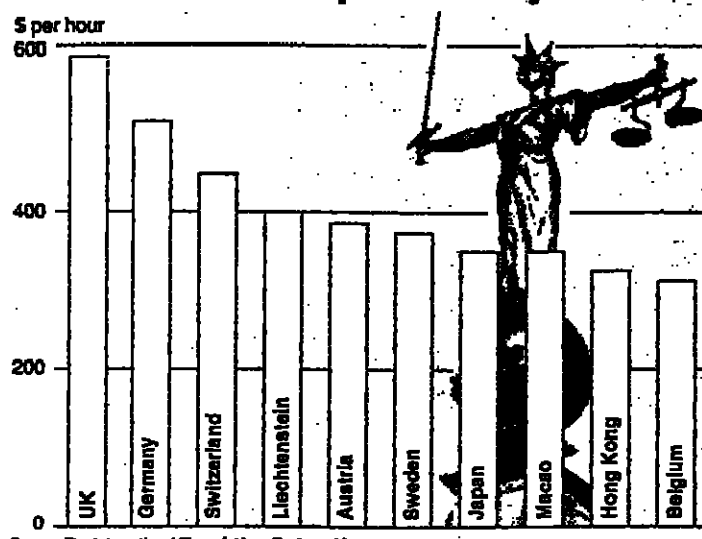
The company is large and sophisticated enough and has sufficiently experienced in-house lawyers to drive a hard bargain on rates. Her comments, she said, were directed at companies which did not have this experience or negotiating strength.

She knows of "a number of City law firms" which "it would not be fair to name" charging £450 per hour for advice.

"That is totally unrealistic. Industry is having to be realistic. Top management have had to take pay cuts. How many senior law firm partners have taken a drop in their real income in recent years?"

Mr Barry O'Meara, ICI's deputy group solicitor, believes that if companies are being taken for a ride on costs, it is

## The world's most expensive lawyers



their own fault.

"They must learn to treat legal services like any other raw material. They would drive a hard bargain when buying widgets; why not when buying legal advice?" he asks.

The solution is to keep a tight rein on how the law firm does the work. "Any businessman who gives a lawyer a free hand is a fool," he adds.

The role of the internal lawyer is

key to ensuring that law firms staff the job correctly, do not follow irrelevant lines of inquiry and that the correct level of lawyer is assigned to it.

Mr Peter Hall, general counsel for More O'Ferrall Adshel and chairman of the Law Society's commerce and industry group, says that, although there is now a much greater awareness among commercial law firms of the need to be flexible in their approach to

charging, there is still widespread concern among his members about the level of costs in the middle of a recession.

He says one consequence of perceived overcharging by City law firms has been a shift of routine work out of London to the large provincial law firms, where it can often be done to the same standard at half or one-third of the cost. This is borne out by the Gallup survey.

What about the case for the defence? City law firms are still remarkably tough on the subject of fees. Linklaters & Paines, the UK's second biggest law firm, is adamant that the days of law firms imposing fee structures and hourly rates on their corporate clients are long gone.

Everything is negotiable, including fixed fees, success fees, premium rates for technically demanding jobs, low rates for routine work, and discounts where deals fall apart.

What about the accusation that UK lawyers are the most expensive in the world? Mr Ken Walder, British Petroleum group general counsel, says the apparent difference between the hourly rates of UK and US firms is largely a product of the dollar exchange rate. The difference between the two has narrowed considerably with the pound at \$1.53.

He adds that methods of billing are very different, but that he would be "astounded" if he got a bill from a UK firm for almost twice the amount charged for similar work by a US firm.

Linklaters would not dispute that. But it adds that UK lawyers only charge "a fraction" of the hours billed to clients by US lawyers each year, so a comparison of hourly rates is meaningless. The International Financial Law Review figures are simply not comparing like with like.

This is not an argument which cuts much ice with Mr Bruce Buck, the senior London partner of New York law firm Skadden Arps Slate Meagher & Flom. "If they are billing less hours and at the end of the day the client is not paying any less, then they are simply billing less hours at a much higher rate."

Wherever the truth lies in this debate, commercial lawyers still need to beware. The Gallup survey revealed that 47 per cent of the companies questioned felt their accountants had provided the best service over the past 12 months, compared with only 36 per cent who rated their solicitors as the best.

With multi-disciplinary professional partnerships just around the corner, perhaps the writing is on the wall.

## LEGAL BRIEFS



### Atlantic Computers disclosure

Spicer and Oppenheim (now part of Touche Ross) has lost its battle to avoid handing over to the administrators of British & Commonwealth Holdings all books, papers and other records relating to B&C's 1988 acquisition of Atlantic Computers, the collapsed computer leasing company.

Atlantic went under in April 1990 with a deficiency in its assets of some £279m, shortly before B&C itself went into administration. B&C's administrators felt there were "serious questions" about Atlantic's business and

representations made to B&C at the time which needed answering. Spicer argued that, under the 1986 Insolvency Act, it only had to hand over sufficient information to the administrators to "reconstitute the state of the company's knowledge" if it had remained solvent.

The Law Lords disagreed. The protection offered by the act lay not in limiting the category of documents but in the fact that the person applying for a production order had to satisfy the court that it was justified, and that it would not impose an unreasonable burden on the person concerned. The application was not necessarily unreasonable because it was inconvenient for Spicer, or might provide ammunition for a claim against it.

### Fraud in firms

Touche has been offering advice on how to control the growing problem of fraud by solicitors. Among its suggestions to the Law Society are each firm to maintain a specific level of partner's capital; compulsory review of a firm's management systems before it is allowed to hold clients' money; and partners to confirm compliance with accountants' reports rules.

## UK judge explains Court's balancing act



### EUROPEAN LAW

The European Court of Justice's annual All Saints vacation last week gave the judges time to pause and reflect on what lies ahead. In particular they were busy preparing for the celebrations to mark the ECJ's 40th anniversary. On December 4, the president of the Court, Judge Ole Due, will host an anniversary meeting attended by, among others, his counterparts from the Commission and the Parliament and, as a representative of the UK presidency of the Council, Lord Mackay, the Lord Chancellor.

States' rights  
The UK judge, David Edward, speaking to the UK Association for European Law in London on the subject of "member states' rights", outlined how the Court sees its current role against the backdrop of recent historical and political developments in Europe.

He reminded his audience that the EC legal system is not static but responds to the political and economic trends around it.

Until another institution undertook political responsibility for the Community, the Court would continue to be criticised for its role, not because it is a political court but because the issues which it deals with are political, he said.

The economic and political dimension are relevant to the Court's decision-making. The risk of legal incoherence would continue as long as it was the ECJ which had to fill the political vacuum in the EC.

Relying on the flexible nature of the Rome treaty's constitutional charter, the Court's approach to its task was increasingly expressed as a balancing of the different economic and political interests represented by the Community, the member states and individuals, Judge Edward said.

Coloroll pension trustees case

Judge Edward stressed the importance for international business of tracking the development of this balancing exercise over the coming months, as important cases in the fields of the internal market, compe-

titution, state aids and state monopolies come before the Court.

Judge Edward referred, for example, to the *Coloroll Pension Trustees* case (C-200/91) which follows on and seeks clarification of issues raised by the *Barber* case. Even if the Maastricht treaty's protocol limits the application of equal pay principles in the pensions context to after the *Barber* decision, many complex questions about the practical effects of equal pension rights remain to be answered.

The Court will hear the case at the end of January next year, along with test cases from Germany and Holland which raise similar issues.

The Court will therefore have the opportunity to clarify in a pan-European context the issues of retrospective application and the use of sex-based mortality tables.

The Court must decide whether equality is required only for pension benefits earned by service since May 17 1990, the date of the *Barber* judgment, or for benefits which become payable after May 17 1990, whether they were earned by service before or after that date. The difference in the cost of these

interpretations to British pension schemes has been estimated at £40bn.

The Court will also have to decide whether the equal pay requirements of the Rome treaty ban the use of mortality tables which reflect the differing life expectancy of men and women. If they do, annuities, tax-free lump sums, money purchase benefits and transfer values will all have to be calculated on a unisex basis. This is a requirement of the Equal Rights Amendment in the US, but is not usual in Europe.

As a measure of how important this case is to EC governments, the court will hear submissions from the UK, Ireland, Holland, Germany and Denmark, as well as the European Commission. The advocate general's opinion is expected by April and the Court's judgment just before the start of the summer vacation in July.

Sunday trading

Judge Edward also cited the Sunday trading cases as examples of the Court's recognition of member states' rights, in the context of the

Rome treaty's free movement of goods rules, to maintain cultural and religious values, subject to objective justification and proportionality. Judgment in the *B&Q* case (C-189/91) referred to the ECJ by the House of Lords is expected shortly.

Another test case moving through the Court at the moment is the *Vereniging Veronica Omroep* case (C-148/91). It concerns the compatibility with treaty rules on free movement of capital, establishment and services, of the Dutch television broadcasting authorisation rules. The Dutch law restricts the business activities and investment freedom of licensed operators to achieve pluralistic and cultural objectives.

Advocate General Tesauro will deliver his opinion to the Court on November 18.

In total there are more than 700 cases pending before the ECJ. These include 340 cases commenced in 1991 and more than 350 cases already filed in the first nine months of 1992.

BRICK COURT CHAMBERS, BRUSSELS

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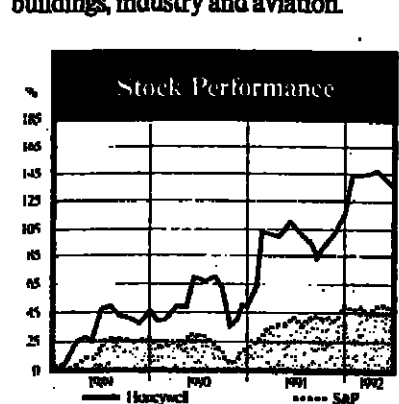
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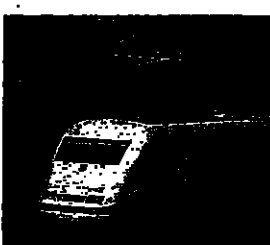
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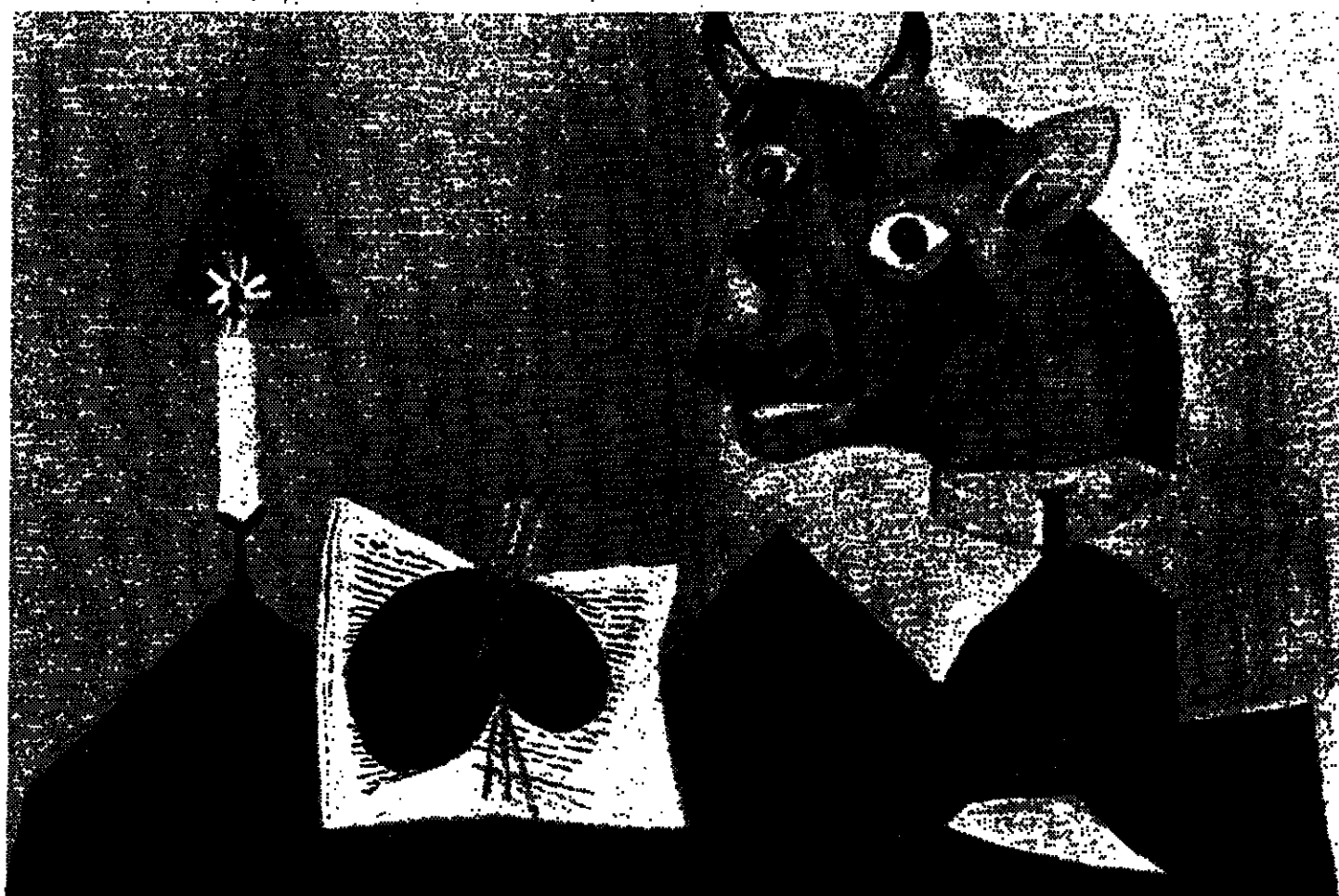
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'Nature morte avec une tête de taureau rouge', 1938, by Picasso

## God among the pots and pans

William Packer admires the still-life paintings of Picasso

Should the myth still persist that Picasso was no more than this century's greatest charlatan and fraud, this exhibition at Paris should finally explode it. Its subject is Picasso as a painter and occasional sculptor, of the still-life, and it fills two large galleries on one floor of the Grand Palais.

Given the size of the known oeuvre, it would have been infinitely extendable. But the exhibition has been beautifully chosen, its scope perfectly balanced to its concentration. It has already been seen in Cleveland and Philadelphia and this is its sole European showing. There can be no better reason for getting to Paris before the year is out.

"God moves among the pots and pans", said Saint Teresa of Avila. Picasso made much the same point himself in saying that "the most ordinary of objects is... a vehicle for my thought - just as the parable was for Christ." The principle of much in little, of virtue in simplicity, of all the world in a grain of sand, is in whatever guise, unanswerable. For the artist the still-life has been a focus of preoccupation since art began. The symbolic appurtenances of the hero or the attributes of the saint may have served the purpose of simple identification but, more than that, the flower at the foot of the Virgin, the lily in the hand of the Angel, brought back the story into the real

world, brought it quite literally down to earth.

Still-life became a distinct discipline during the more secular post-Reformation world. It is in relation to that movement that we can see more clearly the significance of Picasso. For the point of the still life, is that the artist is confronted by objects which are real, immediate and commonplace. The effect upon a true artist is to drain off all self-conscious cleverness and formality. The still life offers no model to flatter or seduce, no grand design to achieve, no patron to please. The work is done for its own sake, enabling the artist to try out ideas, to experiment, to analyse, understand and realise forms.

It is thus no accident that still-life should have been the staple of Picasso's work at the time of his most intense and private research, along with Braque, in the great Cubist adventure in the years around 1910. And how odd it is that all this high-cubist *nature morte*, (as the French call it with conscious irony) that once seemed difficult and austere, should now appear to us rich, lively and beautiful.

Picasso's lifelong interest in still-life is displayed at this exhibition: here are the bowls of fruit, the glasses, bottles, the pipes and papers, and the guitars. And ever present, too, is mortality as *letimorif*, the skulls and heads, the fish and fowl for the table, *nature morte*

indeed. Such symbolism might seem especially poignant in the work of the early 1940s, for Picasso was in Paris throughout the Occupation. Indeed, it is generally agreed that his work was especially dark and gloomy during that time.

Here is a painting of late May 1940, of a fish and a crab apparently biting and clawing at each other, with the Battle of France still fiercely in progress and occupation by no means certain. And here is the "Tête de mort" of 1943, the image an abstracted death's head modelled and cast in bronze. Some of the most obviously angst-ridden works date rather from later 1930s, post-"Guernica" (his response to the Spanish civil war) and a time when his private life was particularly disrupted. Little is known of Picasso in Paris during the war. He was a distinguished neutral alien in his later middle age; materials no doubt were hard to come by, scope and palette alike necessarily restricted. I believe he simply kept his head down in difficult and gloomy times. Some wonderful things came out of this period, all as formally lively and wittily inventive as ever, sometimes even positively light-hearted. A *Grande table* of May 1941, then which one might think nothing would be gloomier, turns out to be a coil of sausage, a bottle and artichokes upon a table, and the knives and forks springing out of the open drawer, like nestlings clamouring to be fed. More soberly, the exhibition shows the life-long centrality of cubism to the work. Once established, it might rest for a while expressed beneath the surface, but it was always present as a powerful and determining creative force.

The exposition of the young artist's development through the 1930s, from precocious talent to the mature and full achievement of cubism, affords the show's greatest thrill. The proto-cubist works of 1906 to 1909 in particular, as they move out of the shadow of "les Femelles d'Avignon" towards a more universal, less equivocal image and reference, are astonishing for their formal certainty and monumental character. In later periods Picasso would often achieve still life on the grand and monumental scale, but never would he surpass the achievement of those early years. The large canvas from Basle, of the table with its leaf down across the picture plane, its top established by bread and fruit and grey compotier, and more bread leant against the wall and the green curtain behind, turns the corner from Cézanne towards the modernism, in all its aspects, of our own time. It is, in its simplicity, one of the great paintings of the century.

Picasso et les choses: Grand Palais, Paris, until December 28; sponsored by United Technologies.

## Theatre/Alastair Macaulay

# Marlowe's 'Dr Faustus'

The Nottingham Playhouse has here an example of director's theatre at its most superficial, with poor Marlowe's *Dr Faustus* served up as (a) style and (b) comedy.

Director Phelim McDermott and designer Julian Crouch have dressed Faustus, Wagner and other mortals in darkly drab Dickensian attire while the devils are kitted in modern suits and primary colours. (Mephistopheles is in bright yellow from head to toe.) The music, by John Winfield, is booming sub-Vangelis stuff that drowns many of the words. You do not see Helen of Troy; you just see wind pouring through a red-tunnel. And, thanks to the wind and the music, you can't hear what Faustus says about her, though this - "Is this the face that launched a thousand ships?" - is the most famous speech in the play.

The action all takes place in Faustus's study, a tall library stuffed with books - reminiscent of the set for the 1975 RSC staging (with Ian McKellen). An ensemble of seven plays all the characters other than Faustus and Mephistopheles, and

they seldom leave F and M alone. They keep filing through the library as if it were the British Library's Reading Room; they wear books as mortar-boards, they plant books down as stepping-stones, they flutter books in the air like birds, they pop in and out of their study's doors and windows and the perpetuate a constantly surreal, amusingly bizarre, atmosphere.

Thanks to them, the interest of this *Faustus* is all on the sidelines. The main event is the comic masque of the seven deadly sins. With grotesque masks and costumes - a witty mix of Bosch, Daumier and Dali but in pale papier-mâché. Lechery is a woman with a parasol, a bustle and a huge phallus rearing up from under her skirts. Amid a production that is generally unconcerned with fidelity to Marlowe's text, these sins are encouraged to ad-lib, commenting on their role-playing with campy lines like "that's a lovely line, that. Next line is better." Another romp is the knockabout treatment of the Pope in Rome, with wordless chanting and silly ritual, which Faustus

and Mephistopheles disrupt with various invisible-man tactics. And the sorcerer's-apprentice scenes for the servants with Faustus's books are the best fun of all.

McDermott's direction, however, makes Faustus himself flimsy. Jamie Newall is a smug Oxford-postgrad Faustus, with a wretched habit of leaving his mouth gaping open at the end of a line. Though he has worked out a carefully mannered, would-be classical, actorly interpretation of the text, he has no urgency. Michael Cashman's Mephistopheles is more natural in emphasis but nothing about him is as forceful as the colour of his suit. Both he and Newall are lightweight baritones who ensure that the play's central drama remains in a stuffy shade of woolen grey. It is hard to forgive actors wasting such roles as these - but the fault is less theirs than McDermott's. *Dr Faustus* has both comedy and surrealism, sure. But, according to McDermott, not much else.

At the Nottingham Playhouse until November 28

## Opera/David Murray

# Le Roi malgré lui

Emmanuel Chabrier's last opera ("King in spite of himself") was another *opéra-comique* like his *L'Étoile*, but musically even richer. A broader dramatic range (since *L'Étoile* he had composed his "serious" Saxon epic *Gwendoline*); splendid tunes, mostly of a quickly original cut, and tingling orchestration; and a feast of adventurous harmony, with Ravel with take-aways for several years.

The reason why it is almost unknown - and Saturday's concert performance by the Chelsea Opera Group was doubly welcome - is not, I think, quite what the COG's commentary suggested: that the plot is hopelessly complicated. Many of Feydeau's farces would seem as baffling if recounted in detail, but like them most of *Le Roi* should be clear enough for when played out in its audience's own language. The trouble is rather that the disguises and surprises are too arbitrary to generate enough comic tension.

Furthermore, it needs so much spoken dialogue that the opera becomes unfeasibly long. Though the COG omitted that altogether,

the music still filled two and a half hours (plus interval), with scarcely a number that one would sacrifice. Michael Lloyd conducted it with terrific style and energy; should anybody devise a stage-rescue for the piece, they should ring him at once. The COG orchestra played up exuberantly, falling only to make Chabrier's most elaborate tuttis shine as clearly as they might.

Having nothing to do but sing, the cast were eager and willing, and two were outstanding. Elizabeth Gale's Minka (Polish mistress to the Comte de Nangis, whose mission is to ensure that the reluctant Henri de Valois accepts the Polish throne) grew ever brighter and more heart-felt. Geoffrey Dolton's wry Venetian Duke delivered his *couplets*, and everything else, with faultless, front-porcher gusto, a gift to the French 19th-century repertoire, and should be exhibited in a lot more of it.

Paul Napier-Burrows represented poor Henri mildly and pleasantly, but without much character - though Henri may be a hapless wimp, he is nonetheless the wimp in the middle. As his ex-mistress

Alexina, the Venetian's wife, Anne Heath-Welch sang with gusto and a raw edge in her upper register; her machinating Polish uncle, Count Laski, was the sound, imperturbable Brian Bannatyne-Scott. If David Owen's forceful tenor gusto missed something of the Comte's disarming fecklessness, his lusty, hell-for-leather contribution to his final duet with Minka would surely have gladdened the composer's heart. Full of heart and wit as it is, Chabrier's music never forgets the loins either.

And now: will somebody please mount a competition for a new *Roi* libretto? It would need to take careful account of the situations to which Chabrier's music answers so neatly - but those could be accommodated within a tighter story and tenser dialogue. It would be essential to keep the period-feel: not the historical Henri's period (late 18th-century), but Chabrier's (Feydeau and Labiche). If done cleverly enough, that could reinstate this sunny masterpiece to the repertoire.

COG season supported by Mobil North Sea Ltd. and McKenna & Co.

## Concert/David Murray

# Flotsam, jetsam and Ravel

At the Barbican on Sunday, Kent Nagano conducted the London Symphony in a curious programme. The first half was a showcase for John Williams' guitar, which guaranteed a full house but required little more than tactful accompaniment; in the second we got Ravel's complete *Daphnis et Chloé*, which is both an audience-puller and a serious test for a conductor.

In Rodrigo's evergreen *Concierto de Aranjuez*, featherweight but elegant, Nagano missed nothing, and Williams - whom I have not heard in several years, since he moved home to Australia - not only proved that his formidable technique is still secure, but found new expressive depths and shadows in his cadenzas. So far, so admirable. Unfortunately he chose to follow the *Concierto* with a UK premiere, the "Antarctica" Suite by Nigel Westlake, a collage from his new ensemble ATTAQCA.

It is adapted from Westlake's score for a monster-screen movie -

where for all I know, the composer's catch-as-catch-can invention may work perfectly. As re-composed for virtuoso guitar with small orchestra, however, it cut no ice to speak of: bits of *ad lib* solo virtuosity were pinned on to swatches of pictorial colour and that was that. No direction, no point, nothing but random effects; one would go to some trouble to avoid hearing it again.

Nagano's account of Ravel's *Daphnis* sounded like a promising first shot. On the minus side, there were unresolved problems of balance: the nine-strong percussion section and the brass often covered vital thematic stuff from the strings, and in turn they were themselves sometimes blotted out by the LSO Chorus - far too numerous for their collective role here. Those wordless voices should be one strand in the texture, not pugnacious competition; and besides, in their testing a *cappella* interlude they came uncomfortably close to losing their grip on pitch.

On the plus side, however, Nagano preserved the crucial balistic pulse better than most conductors. The score lived and breathed. For Chloé's heartbroken dance in piratical captivity, he found pathetic accents of speaking force - more exposed than in any account I remember, but utterly true to Ravel's intentions.

In the last, "wild" - though rigorously controlled - *Danse générale*, Nagano took note of something that all programme-notes are too polite to mention: that the ancient Greek *Daphnis* tale was expressly about sexual innocence and subsequent happy discovery. Even Diaghilev preferred to leave that decently obscure; but Ravel spelt it out in the near-organic cries of his final chorus, coming quicker and more urgent as the tempo contracts from 5/4 time to 3/4 and then to 2/4, with a gross full-orchestra trill on the last chord. Nagano gave all that full value, and quite right too.

While there is no sign of rising unemployment in the ranks of pianists and conductors, the practice of job-sharing continues. The number of pianists who follow a double career as conductors includes such eminent keyboard players as Daniel Barenboim and Christoph Eschenbach, to whom in recent years we have also had to add the name of Stephen Kovacevich.

As his conducting duties have grown, Kovacevich (previously Stephen Bishop, then Bishop-Kovacevich) has been seen far less in recital. A new recording contract would, however, seem to be pointing him back in that direction. His weekend appearance in a South Bank piano matinee was a welcome return, both to the Royal Festival

## Concert/Richard Fairman

# Stephen Kovacevich

Hall and the sonatas of Beethoven, in which he was always respected.

It is in the classical repertoire that Kovacevich has mainly won his laurels. But even among the noted classical pianists, he has a distinct personality. There is not the intellectual rigour that marked out Serkin, with his determination to shine a bright light of clarity over the music and throw every inner voice into relief. Nor does he have the determined rhythmic grip that marks out, say, Annie Fischer and others.

For Kovacevich, power and

momentum fuse to provide the driving force. He played two sonatas in this programme, the "Waldstein" and the A flat major, Op.110, and both of them wanted to be fast and furious. It may be that the violent contrasts catch the Beethovenian spirit, though it was difficult to reconcile the hushed piano of Op.110's Arioso, when it was followed moments later by the thundering entry of the fugue in the left hand.

The "Waldstein" was an exciting performance - at a price. Again the quieter passages were properly reflective. But once the momentum

was up, the music hurtled forwards with little sense of there being the control to guide it. The thrill was undeniable, but this was a big-dipper performance that ended up throwing other musical virtues to the winds. The last climax before the end became a noisy, incoherent, headlong assault.

In between, there was the solace of Schubert. Two late collections, the *Moments musicaux*, D.780, and 12 Ländler, D.790, offered playing of genuine subtlety, the inimitable Schubertian harmonies sensitively touched upon, the colours delicately varied: another Kovacevich altogether. Played like this, these supposedly simple pieces seem to take on almost the richness of the Chopin Mazurkas.

15 performances till Dec 31 (4001 1616). Saint-Étienne Massenet

Alain Brunet at the Opéra Comique next Wed for nine performances till Nov 28 (4286 8883). Gounod's *Faust* opens at the Bastille on Nov 27 (4001 1616) CONCERTS

Djansug Kakhidze conducts the next two weeks of concerts by Orchestre de Paris at Salle Pleyel. On Thurs and Fri, the programme includes symphonies by Stravinsky and Honegger. Next Wed and Thurs: Pierre Amoyal is violin soloist in works by Ravel and Chausson. Nov 25, 26, 27: Giuliani conducts Mozart and Dvořák (4563 0796). Alexis Weissenberg gives a piano recital on Fri in the Théâtre des Champs-Élysées. Sun morning: Mischa Malsky and Martha Argerich play cello sonatas. Next Mon: François-René Duchâble plays Chopin (4720 3637). Next Mon at Le Rond Point, Théâtre Renaud Barrault: Kent Nagano conducts works by Emmanuel Nunes (4296 9694). Next Tues at Opéra Comique: Cécile Ousset plays Saint-Saëns (4286 8883). Nov 18 in Bastille: Lutosławski conducts Lutosławski (4001 1616). Nov 22 at Châtelet: John Eliot Gardiner conducts Schumann (4028 2840). Nov 23 at Salle Pleyel: Maurizio Pollini (4561 0830)

JAZZ/CABARET Jazz Club Lionel Hampton This week: Kenny Garrett Group. Next week: Bobby Blue Bland. Nov 23-Dec 5: Johnny Copeland. Music from 22.00 (Hotel) Meridien Paris Etoile, 61 Boulevard

CHICAGO LYRIC OPERA William Bolcom's new opera *McTeague* can be seen at Civic Opera House on Thurs and Sun. Fellows et Mollins with Frederica von Stade and Jerry Hadley, opens on Sat in a production conducted by James Conlon (eight performances till Dec 5). Nov 26: revival of *Un ballo in maschera* (332 2244)

MUNICH Hertzkaessal der Residenz Tonight: Leo Nucci song recital. Sat: Tedd Josselson piano recital. Next Tues: violinist Thomas Zehetmair (299901)

Gastspiel Thurs: James Galway is soloist in a Bach and Dvořák concert by Württemberg Chamber Orchestra (983898). Fri: Pinchas Zukerman plays Bach with Frankfurt Radio Symphony Orchestra (346620). Sat, next Mon and Tues: Jessye Norman sings Strauss' Four Last Songs with Munich Philharmonic. Sun: John Eliot Gardiner conducts North German Radio Symphony Orchestra in a Schumann programme. Nov 18: Sviatoslav conducts Rakhmaninov. Nov 20, 21: Valery Gergiev conducts Prokofiev (48098 614) Prinzregententheater Fri: Margaret Price song recital. Next Tues: Teresa Berganza. Nov 24: Renato Bruson (221316)

PARIS DANCE/OPERA Opéra Ballet revives the Bourmeister staging of *Swan Lake* on Fri at the Bastille for

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

CONCERTS In tonight's concert at the Concertgebouw, Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Smetana, Tchaikovsky and Musorgsky. Tomorrow (also Nov 19 and 27): Nikolaus Harnoncourt conducts Royal Concertgebouw Orchestra in symphonies by Haydn and Schubert. Fri: Kobayashi conducts Het Brabant Orchestra, with violin soloist Emmy Verhey. Sat afternoon: Alberto Zedda conducts concert performance of Bellini's *La sonnambula*, with Luba Orgonasova. Sun evening: Mariss Jansons conducts Oslo Philharmonic Orchestra in works by Weber, Grieg and Stravinsky. Next Tues: Hans Vonk conducts Radio Philharmonic Orchestra in works by Weber and Debussy. Nov 24: Midori. Nov 26: Andras Schiff (6718 345) OPERA This month's Netherlands Opera performances at Muziektheater are devoted to Così fan tutte,

### BRUSSELS

Palais des Beaux Arts Tonight's concert features Jean-Pierre Rampal as soloist in Mozart's *Flute Concerto*. Next Mon: Yuri Temirkanov conducts St Petersburg Philharmonic, with violin soloist Vladimir Spivakov (507 8200) Monnaie Tonight, Thurs and Sun: Un ballo in maschera, staged by Guy Joosten and conducted by Antonio Pappano (219 6341) Théâtre Varia Rosas, Anne Teresa de Keersmaeker's experimental dance company, gives performances on Thurs, Fri and Sat of a work set to music by Steve Reich (219 6341)

### CHICAGO

CHICAGO SYMPHONY Georg Solti conducts the next two weeks of concerts at Orchestra Hall: the programme on Thurs, Fri and Sat consists of symphonies by Haydn and Bruckner. Nov 25: Pierre Boulez begins a four week residency (435 6666)

Wiens as soloist in Britten's *Les Illuminations*, a recital by jazz pianist Dorothy Donegan on Thurs and a piano recital by Yefim Yankelevich on Fri (467 4800) THEATRE

● Grapes of Wrath: an adaptation of John Steinbeck's epic of the Great Depression. A Washington Shakespeare Company production. Till Nov 28 (Gunston Arts Center 703-739 9886)

● The Lisbon Traviata: Terrence McNally's play about the quest for a pirate copy of Maria Callas' performance of Verdi's opera. Opens tomorrow, till Dec 13 (Studio Theater 332 3300)

● The Way of the World: William Congreve's comedy of love and marriage. Till Nov 22 (Arena Stage 488 3300)

ZURICH OPERA Tonight's performance at the Opernhaus is Berndt Roger Bienenst's production of *Nutcracker* (also Fri and Sun evening). Tomorrow and Sat: Fedora with Balais and Carreras. Thurs and Sun afternoon: Capriccio (262 0909)

CONCERTS Tonight in Tonhalle: Edmond de Stoutz conducts Zurich Chamber Orchestra and Concert Chorus in Beethoven's Choral Fantasy (Homero Franceschi) and Second Symphony (252 1737). Sun: Empire Brass. Nov 17, 18, 19, 20: Claus Peter Flor conducts Bartok and Beethoven (206 3434)

## European Cable and Satellite Business TV

(all times CET)

### MONDAY TO FRIDAY

CNN 2000-2030, 2200-2300 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0700-0710, 1230-1240, 2200-2240 FT Sun-Led Daily 0710-0730, 1940-1950 (Mon, Thurs) FT Business Weekly - global business report with James Bellini 0710-0730, 1240-1300 (Wed) FT Media Europe 0710-0730, 1240-1300 (Fri) FT Eastern Europe Report 2240-2245 FT Report

Sky News 2030-2100, 2230-2300 FT Business Weekly

### SATURDAY

CNN 0800-0930, 1800-1930 World Business This Week - a joint FT/CNN production

Super Channel 0830-0900 FT Business Weekly

Sky News 1130-1200, 1730-1800 FT Media Europe

### SUNDAY

CNN 1030-1100, 1800-1930 World Business This Week

Super Channel 1930-1930 FT Business Weekly

Sky News 0130-0200, 0530-0600 FT Media Europe 1930-1930, 2030-2100 FT Business Weekly



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Tuesday November 10 1992

# How to escape a trade war

HEGEL REMARKED that "what experience and history teach is this - that nations and governments have never learned anything from history". To this his pupil, Karl Marx, added that history repeated "the first time as tragedy, the second as farce". Marx looks right, for a change. The world economic malaise may soon be aggravated by a "trade war" between the European Community and the US over less than 2m tonnes of oilseeds. This farce must be stopped. Immediate responsibility for doing so rests with the EC.

Allegations of interference by the president of the Commission, Mr Jacques Delors, in the work of Mr Ray MacSharry as farm trade negotiator - a position he himself had arguably usurped from Mr Frans Andriessen, the commissioner for external affairs - are just symptoms of the malaise. The disease is confusion over the role of the EC in the world.

Mr Delors has argued that "adolescent Europe" should be able to say no to its American big brother. So it should. The question is over what. Can the EC wish to make its refusal to accept two adverse Gatt panel findings on its oilseeds regime the principle on which, like Martin Luther, it must take its stand, because it can do no other?

What needs to be recognised now is, first, that the oilseeds dispute and the Uruguay Round, though connected, are at least juridically separate; second, that the credibility of the Gatt dispute settlement process is under test; and, finally, that the underlying Gatt principle of reciprocity does allow the US to withdraw concessions from the EC. This withdrawal can be up to the value of the losses imposed by the EC oilseed regime, which Gatt panels judge to have unfairly damaged the interests of the EC's trading partners. Counter-retaliation by the EC would be a different matter. It would take the dispute into uncharted territory.

The EC should, instead, accept

the American proposal for binding arbitration on the size of the losses imposed by its oilseeds regime. It should also agree that the US may withdraw concessions equal in value to the losses identified by the arbitrator, if agreement cannot be reached on changes to its oilseeds regime. Such a rebalancing of the account in a protectionist direction would be far from ideal. But the potentially lethal infection from the oilseeds dispute would have been sterilised.

With the oilseed dispute contained, the wider question of the Uruguay Round could be tackled once more. Mr Arthur Dunkel, the Gatt's director general, should consider calling the negotiators back to Geneva. This would seem to be particularly timely now that the EC negotiation is back in the hands of a man responsible for trade policy as a whole. It also looks as though the best chance of resolving the outstanding issues in farm trade might be in the context of an overall negotiation.

Some in the EC appear not to want the round completed at all, whether for domestic political reasons or because they believe the EC will be strengthened by a confrontation with the US. They play with fire. Neither the political cohesiveness nor the economic strength of the EC would be strengthened by failure of the trade negotiations, particularly if the EC were to be blamed for the collapse.

This is looking increasingly like a pivotal moment in the post-cold-war era. An intrinsically trivial dispute over oilseeds could lead to the disintegration of the Uruguay Round and even of the GATT; it could divide the US from the EC; it could create serious friction within the EC; and it could imperil world prosperity. A few hundred million Ecus worth of soyabean are not worth the risk. Let the epitaph on postwar international economic co-operation not be that for once people did learn from history, but then they forgot.

## The Matrix case

THE CASE against three former executives of the Matrix Churchill company, withdrawn by the public prosecutor yesterday, has cast a disturbing glare on the apparent ineffectiveness of government controls on exports of military hardware. What is not clear, however, is whether these procedures were merely ineffective, or whether in some sense the government was conniving at the circumvention of its own declared export control policy, in pursuit of quite different foreign policy objectives.

The executives were accused of selling machine tools to Iraq during the Iran-Iraq war, despite a government ban on military-type exports to either of the warring parties, but it emerged in court that Mr Alan Clark, former trade minister, and government officials had deliberately encouraged the company to conceal what they knew was the military end-use of the machine tools.

The weaknesses of the export control procedures were inevitably compounded by the involvement of British intelligence. Illicit arms exports may seem to be a useful channel for acquiring sensitive information. Yet Britain, along with its allies, provided anything but well-informed about Iraq's political intentions and about its weapons programmes. So perhaps

the trade was more advantageous to Iraq than to Britain.

One plausible explanation for the circumvention of the arms embargo was that the British government secretly supported Iraq in the war against Iran. In principle the embargo was imposed equally on both countries, and no doubt the government would have viewed an even-handed stalemate with equanimity. Yet it undoubtedly feared most the prospect of an Iranian victory, with the accompanying danger that the fundamentalist regime in Tehran could dominate the whole Gulf.

Such a judgment was certainly shared by the French government. But the big difference between British and French policy was that Mr Alan Clark, former trade minister, and government officials had deliberately encouraged the company to conceal what they knew was the military end-use of the machine tools.

As a result, the British government has been embarrassed by the latest revelations; whereas France suffered the deeper shock of a betrayed ally. But if British governments depart for reasons of state from declared high principles to hard realism, at least they should do so with greater competence than was shown in the Matrix case.

## CBI obfuscation

THE CONFEDERATION of British Industry has, in recent weeks, shown a willingness to speak out. But by lecturing the government rather than its members, it merely continues the traditional British practice of blaming others for industry's own shortcomings.

"Making it in Britain", a report from the CBI's National Manufacturing Council, is a typically worthy and woolly document. It rightly argues that the British manufacturing base is under attack and inefficient. But the overwhelming impression created by the report is that government action is both the primary cause and cure for industry's weakness.

The priorities for industry, listed in the report, are frustratingly vague: industry must "establish a clear sense of strategic direction" and "develop greater consumer focus in every facet of business". It is the government that must act now by cutting corporation tax, lowering interest rates and freeing public sector pay.

Yet the document has a gaping hole. It contains almost no discussion of either pay or profits, variables which industrialists influence directly. The depressing fact is that the productivity gains of the 1980s were consumed rather than invested, something the CBI

report omits to mention. Between 1980 and 1990, real wages rose by 18 per cent in the US, 22 per cent in West Germany, 31 per cent in France and 42 per cent in the UK. That is why UK profitability and investment remain low by international standards. British industrialists and trade unionists pay themselves too much, a reality they squirm to avoid. Ford UK is typical. Since the recession began, its workers have received two pay increases, more than 12 per cent in the first year and 5 per cent in the second, years in which inflation averaged 6.8 per cent and 4 per cent respectively. Little wonder profits are squeezed. But it is not Ford's personnel managers and union negotiators who will lose their jobs.

The UK economy badly needs a strong employers' organisation with the courage to tell its members and their employees that they should put profits and investment before increases in wages and executive salaries. It needs leaders who are prepared to say that pay settlements are still twice as high as they should be if the competitiveness gains from sterling's devaluation are not to be lost. This is a message the CBI, along with the government and the Labour party, finds it impossible or impolitic to articulate.

That things in the Colony aren't what they should be, no one can doubt any longer, and though in spite of everything we do move forward, maybe - as more than a few believe the time has come to bring in a Political Reformer.

CP Cavity, In a Large Greek Colony, 200BC

It was clear from the day Chris Patten arrived in Hong Kong that his governorship was going to be different from those of the 27 governors who had come before him. This was underlined on October 7 when he publicised his proposals for the reform of Hong Kong's political system. In one move he changed the course of British policy towards Hong Kong in two significant ways.

First, he signalled his intention to involve the people of Hong Kong in their political future, in contrast to past colonial policy which had involved only a coterie of local worthies. And second, by saying he would present his proposals to the local legislature if China failed to agree, he went against Foreign Office orthodoxy. This had always stressed the need for British policy to complement what Beijing planned for Hong Kong after its reversion to China in 1997, known locally as the "through train".

Mr Patten's strategy is nothing if not high risk. After a series of unsuccessful meetings with Chinese leaders in Beijing two weeks ago, he now faces protracted trench warfare with China, which has given every indication that it neither approves of his proposals nor is prepared to discuss them further. His, and Hong Kong's, nerve will be sorely tested in the coming months.

It is also a strategy which, if successful, could cause awkward questions in Britain about past policy in particular, the questions of why the UK did not stand up to China earlier and why it took so long to accelerate the introduction of democracy in Hong Kong.

Mr Patten's proposals for constitutional development of the 60-member Legislative Council (LegCo) in 1995 are not radical by the standards of any western democracy.

In the 1981 elections, businessmen and professionals had two votes - for a legislator to represent the colony's business community and another for a geographical constituency. The proposals would extend this right of two votes to ordinary employees in the 1995 elections.

In addition to expanding the franchise, 10 more legislators will be returned to LegCo by selection of an electoral college, which, under the Patten proposals, would consist of democratically elected local officials. As a concession to China, however, he has not sought to return the number of democratically elected seats from the 20 already agreed with China for the 1995 election. He has also kept liberal politicians off his Executive Council, or quasi-cabinet, which China has always opposed.

To date China has refused to discuss the plans, saying publicly that Britain has reneged on secret agreements made in early 1990. It has threatened to overturn the 1995 elections if conducted on Mr Patten's terms when it takes over in 1997. It has also threatened to repudiate contracts and debt agreements for the colony's HK\$175bn (£13.9bn) airport project if he is not approved. Talks about the airport broke down three weeks ago and China appears to be in no hurry to settle the issue. The question now is: can Mr Pat-

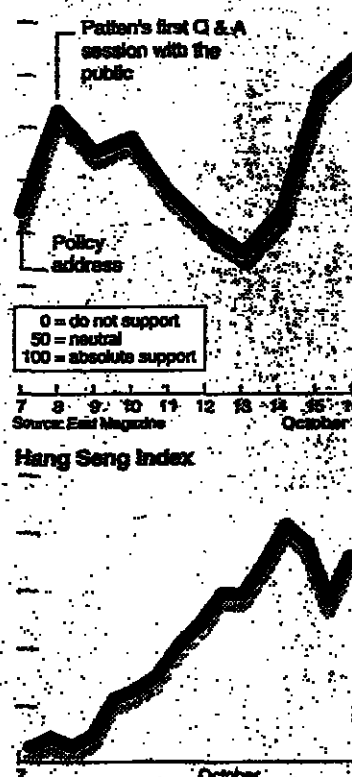
Chris Patten's proposals for greater democracy in Hong Kong are a high-risk strategy, says Simon Holberton

# Detour for the through train

Hong Kong: how it has greeted the governor



Level of support for Chris Patten





# A ray of hope shines from a pit of despair

In a unique leasing deal, Scottish miners have invested their own money to reopen a British Coal colliery, writes James Buxton

Monktonhall colliery near Edinburgh is the scene of a unique venture in British coal-mining. By the end of this month a group of miners who have formed their own company will begin regular production of coal from the pit which they have leased from British Coal.

Not only is this the first time British Coal has allowed a deep mine to be worked by another operator, but each of the 110 miners who are working at Monktonhall has raised £10,000 to finance the venture and guarantee his job. Monktonhall Mineworkers has no other equity capital. Years of persistence in the face of opposition from local Labour politicians and scepticism by financiers appear to be paying off.

"It's up to ourselves," says Mr Jim Parker, the managing director, a former British Coal executive. "We've got no excuses. There's no bad geology, no lazy miners, and no bad management to blame."

British Coal stopped production at Monktonhall in 1987, deciding that it was uneconomical, but the mine was maintained so that it could be reopened. Local politicians and MPs launched a campaign to persuade the company to reopen it. In early 1991 Lothian regional council and other local authorities pressed a consultants' report proposing mining operation employing 370 men, with new investment of £8m. But to the dismay of the politicians and the National Union of Mineworkers, British Coal announced in August 1991 that it could not justify reopening the mine under its own management.

However, British Coal was prepared to lease Monktonhall to another operator. This was the chance which a group of ex-mineworkers from the area, guided by Mr Parker and chaired by Mr Jackie Aitchison (then working as a bus driver), had been waiting for. Some of them had put £2,000 each into a consultants' feasibility study prior to the local authorities' report, and its conclusions were encouraging.

Last December, British Coal agreed to negotiate a lease with Monktonhall Mineworkers, although it said a rival offer from Caledonian Mining, a private company based at Newark, Nottinghamshire, "enjoyed comparable technical merit". The state-owned company apparently chose the mineworkers because of political and public pressure.

It took Monktonhall Mineworkers, assisted by the accountants Price Waterhouse, nearly six months to finalise the lease agreement. The mine run by the nationalised coal company to it becoming a potential showcase for private enterprise. But the mineworkers' report, backed by the government, which wanted the bid to succeed, and vocal support from local Conservatives, Liberal Democrats and the Scottish National party.

The mineworkers secured a loan facility for an undisclosed amount from the Bank of Scotland and decided to invest the maximum they could afford - £10,000 each, amounting to £1.1m for the first 110 miners. Some of them put in savings from their British Coal redundancy money, while others took out loans from the Life Association of Scotland or mortgaged their homes.

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Monktonhall miners: each has raised £10,000 to finance the colliery and to guarantee his own job

Labour-controlled local authorities refused to provide finance, believing the venture would be short-lived, and the miners did not succeed in raising capital from outside institutions.

"We'd decided back in October 1991 to finance the project from our own resources," says Mr Parker, "but we wanted outside capital as a backstop. We found that institutions which had earlier shown interest in our scheme had turned against us. They listened to local politicians and union leaders. It's not outrageous to say that these politicians and unionists would have preferred the mine shut to it being operated by someone other than British Coal."

Labour politicians would

Mr Parker says: "No one was deceived. We encouraged the miners' wives to come to our meetings to hear about the risks." The company has a waiting list of ex-miners willing to put in their stake. The company took over Monktonhall in June and installed new winding ropes, reactivated the underground conveyers and bought used machinery in England at one-tenth the price of new equipment, according to Mr Parker.

Mr Parker says that Monktonhall should produce 250,000 tonnes of coal a year as the number of miners rises to 155, working two shifts over a five-day week. The mine produced about 1m tonnes a year under British Coal, employing about

1,000 people at its peak.

According to Mr Parker, output per year should be 1,400 tonnes a miner, substantially higher than under British Coal's management. Productivity will also be higher, Mr Parker says, because the mineworkers will be working more weeks of the year than under British Coal, without that company's "ludicrous holidays, loud-mouthed unions and spineless management. We have the motivation of people who have put their own money into their company."

The cost of production, he says, should be £1.30 a gigajoule compared with the £1.80 a gigajoule which British Coal is thought to charge ScottishPower, the leading electricity company in Scotland. But

Monktonhall's costs are above those of open-cast coal.

This weakness was highlighted last week when ScottishPower, which had sought tenders for coal supplies, rejected Monktonhall's offer on the grounds that its price was uncompetitive. Instead, it accepted tenders from open-cast suppliers in the UK and overseas. Though disappointed, Monktonhall Miners say they will be able to win enough contracts to survive. The company already has contracts to sell some of its coal, and is tendering for orders from large users in Ireland, Malta, the Isle of Man and the Isle of Skye.

Quite apart from the battle for contracts, Monktonhall represents a high risk venture. Its financial resources are slender; the market for deep-mined coal is competitive, but it will have to maintain output and sales to cover the cost of keeping the mine pumped and paying interest to the bank. One coal industry observer, thinking of the miners' big personal stakes, calls Monktonhall "a tragedy waiting to happen".

But Mr Parker has faith in the venture. He says several more pits which British Coal has closed could be reopened profitably on the same basis as Monktonhall with mineworkers as shareholders. He already has his eyes on the mothballed Frances colliery at Kirkcaldy, Fife, though that mine, he says, would cost £16m to revive, requiring more than the miners' personal funds.

He believes the experiment at Monktonhall will improve the prospects for other mines faced with closure. "There is nothing utopian about this venture. Men here in their 30s are going to make a lot of money at Monktonhall."

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Electricity in an open market

From Prof James Laxton.

Sir, The purpose of the electrical supply industry is to provide reliable, economically priced electricity to the consumer. The ability of generators to optimise fuel price and security of supply in both the short and long term on the world markets is a major factor in achieving this objective.

Prof Littlechild, the electricity industry regulator, was therefore correct in telling the Department of Trade and Industry select committee that it is not his job to determine fuel mix. However, it is his job to protect the consumer. In regard to the gas contracts of the regional electricity companies he referred to his power to disallow uneconomic charges to pass through. He then went on to indicate that there is not a single price for electricity, that there were factors other than price and that it is not his job to review every gas contract signed by the regional electricity companies (RECs).

Given this apparently self-negating interpretation (with which I agree), how to move forward? Clearly the requirement is for mechanisms that encourage proper market behaviour. Specifically, contract negotiations should be conducted in an open market and not, as now, in secret. Then *prima facie* evidence for misuse of market power by either RECs or generators would be visible, acting as a deterrent and providing both transparency for regulatory bodies and easily accessible evidence for any inquiry.

James Lawton,  
38a Abbotwood,  
Guildford, Surrey GU1 1UZ

### Rethink on financial services regulation cannot be avoided

From Mr S M Yassukovich.

Sir, Recent comments from authoritative sources indicate that City support for the Financial Services Act, always half-hearted at best, is now substantially eroded. As with so many modern compromises, the concept of practitioner-based self-regulation backed by statute has satisfied no one. Despite the government's well-known reluctance to countenance new or amended legislation in the field of financial services regulation, a fundamental rethink cannot be long avoided. It is hoped that the review ordered by the Treasury from the SIB will set the stage.

Surely the problem is the fatal flaw in the original legislation initiative. The government sought to deal with two entirely distinct problems with a single bill. A more sensible approach would have been two

separate bills, one dealing with investor protection within the retail financial services industry and the other with the wholesale and international markets of the City. The first bill would have been dominated by conduct of business and compensation issues and the second would have focused on systemic risk.

It is absurd to believe that investor protection of the public at large can be self-financed and self-regulated. It is like asking the Police Federation to pay for and supervise policing. The so-called independent financial advisers cannot pay for regulation or pass the costs on to their clients and the producers of financial products are clearly disinclined to pick up the cost. The only alternative is to tax the wholesale markets but this will affect London's competitive position. The retail sector should be reg-

ulated by a taxpayer-financed government agency. Self-financed self-regulation should be applied only to the wholesale markets under the aegis of an agency with the same independence (in supervisory matters) and authority as the Bank of England.

Harmonisation requirements driven from Brussels will force change in any case. To persist with self-regulation in the retail area is rightly deemed eccentric in the rest of Europe. However, the European wholesale financial community, mostly represented in London, could be mustered to support sensible and flexible regulation of intra-professional markets with maximum practitioner involvement in the process.

S M Yassukovich,  
Chaman,  
Crangin & Partners,  
25 St James's Street,  
London SW1A 1HA

### International community must back Somalia relief effort

From Mr Nicholas Hinton.

Sir, Given the tense situation currently prevailing in Somalia, it is vital to correct an inaccuracy in Julian O'Connell's report ("Somali gunmen hold aid agencies to ransom as thousands starve to death", November 6). Only six of Save the Children's feeding centres have been affected by the current strike by feeding supervisors, not 12 as Mr O'Connell asserts.

Save the Children does not believe that this strike has been politically inspired by General Aided or by any other political leader. The strike is

over the level of incentives paid to the staff and is not related to threats against the United Nations or other agencies.

Mr O'Connell is right to be alarmed about the increasing insecurity which threatens the relief effort as a whole. World attention must not fall off at this crucial time. Indeed, authoritative leadership from the international community is required now more than ever.

Nicholas Hinton,  
director general,  
Save the Children Fund,  
17 Grove Lane,  
London SE5 8RD

### Work horse

From Mr Gingham Taylor.

Sir, So Gillian Shephard ("Shephard stresses rights of individuals", November 6) thinks abolishing the wages councils will "strengthen the rights of individuals". As a student needing work in the holidays, I will be able to undercut other applicants and am sure to get a job. Mind you I will need to work much longer hours to compensate, so it is a good job I have also "got the right" to work as many hours as I can thanks to the opt-out on the Social Chapter. Why not bring back workhouses too!

Gingham Taylor,  
29 Burlington Road,  
Hull HU8 0EN

### Pharmaceutical prices to NHS do not allow for excess profits

From Dr John Griffin.

Sir, Mr Sonabend (Letters, October 30) was incorrect on two counts when he implied that pharmaceutical companies were exploiting Britain's National Health Service. First, in unfavourably comparing the price of insulin in the US and France with the "national" price in the UK he overlooked

the fact that the pharmaceutical price regulation scheme (PPES) ensures that British taxpayers get value for money from the suppliers of medicines to the NHS. Under this scheme, companies are allowed a target return on capital in respect of their range of products which they may or may not achieve but must not exceed. Any

excess profit is repaid to the government.

Second, Mr Sonabend has been highly selective. A recent price index for prescription medicines produced by the Swedish pricing authority showed that in relation to Sweden (equalling 100) the figures for other European countries were as follows: Switzerland

(136), the Netherlands (132), Denmark (130), Germany (132), Finland (111), Norway (103), the UK (99), Italy (95), Belgium and Austria (93), and France (65).

John Griffin,  
director,  
Association of the British  
Pharmaceutical Industry,  
12 Whitehall, London SW1

## OBSERVER

### On a wing and a prayer

■ It's taken more than a year, but Hollis Harris has at last had his prayer answered. In August 1991, Harris, then president of Continental Airlines, urged employees of the bankrupt US carrier to join him in praying three times a day "that God will show us a way to survive". The very next day Continental dispensed with his services.

But the Methodist minister's son from the Georgia Bible belt has bounced back. He resurfaced earlier this year in Montreal as chief executive of Air Canada; and one of his early moves was to submit an offer - together with a group of Texan investors - for his former employer.

Now Continental has decided to accept the Air Canada-led bid in the hope that the infusion of new capital would enable it to emerge from Chapter 11 early next year. For its part, Air Canada hopes the deal will make it a more attractive partner for international alliances.

Harris could do with another burst of divine intervention, however. Air Canada itself is still bleeding about a million dollars of red ink a day and has debts of over \$3bn. Whether or not these problems can be overcome, it won't be for lack of prayer in the executive suite. Air Canada's chairman, Claude Taylor, is a devout Baptist.

Tragicomedy?

■ The once invincible Hanson has apparently been trounced on yet another front. Hot on the heels of the RHM defeat comes word that Hanson's Peabody seems to have lost out to a higher bidder in picking up the Australian coal

Interests of Costain.

So it is perhaps appropriate that yesterday's mighty corporate raider, which in its glory days habitually put the name of its companies to the turf, or motorcycles or sweaters, should now be turning to the gentler thespian world when dispensing its sponsorship largesse.

With Hanson in advanced negotiations to inject £1m into the struggling National Youth Theatre - which this autumn staged a show entitled *Maps for Lost Lovers* - suggestions are invited as to which play the budding actors should consider next that would best capture the current mood at 1, Grosvenor Place.

### Black magic

■ Perhaps the Canadian media mogul has learnt a thing or two. Since Conrad Black rescued the Fairfax group at the end of last year, the nervousness among senior editors at Australia's second largest newspaper publisher has been palpable.

However, news yesterday of the arrival of two old Fairfax hands to the vacant chairs at both the Australian Financial Review and The (Melbourne) Age neatly disarms those critics who feared Black might be poised to impose the sort of controversial changes that so upset journalists in the aftermath of his acquisition of the Jerusalem Post.

The moves see John Alexander, editor-in-chief of the Sydney Morning Herald, replacing Gerard Noonan as editor-in-chief of the Review. Meanwhile, Alan Kohler, himself once on the Review, is leaving Rupert Murdoch's The Australian to edit The Age following the resignation of Mike Smith - who left for (genuine) personal reasons. Kohler's return is something of a coup for Black, since the



"Tell us how you got hit by a champagne cork during the great trade war, grandad"

widely respected commentator on economics and business affairs had only recently jumped ship from Fairfax to The Australian.

The big loser in all this is Noonan, a popular editor who several times tried to interest potential white knights such as Pearson, publisher of the FT, in saving the Review from the receiver. Noonan was given no reason for his dismissal, though Fairfax managers have apparently been unhappy with the Review's performance.

While the reshuffle will be greeted less than enthusiastically by the bevy of unreconstructed protectionists in The Age's Melbourne office, it should go some way to soothing fears about any excessive Black meddling down under.

### Office etiquette

■ Nice to know Lord O'Hagan, Conservative MEP for Devon, has the interests of his constituents at heart. "Many people believe that tossing the caber is about to become illegal under European Community

law on health and safety. Is this true?" he enquires in an exchange recorded in the recent Official Journal of the European Communities.

EC social affairs commissioner Yassou Papadimitriou is glad she was asked that question. After first acknowledging her gratitude to the honourable member for his "regular tabling of questions that allow [the Commission] to keep in touch with the beliefs and fears of ordinary people over the EC's intentions", she goes on to explain that while there are no plans to make that well-known Devonian custom illegal, two council directives coming into force next January will have to be taken into account, by employers and workers alike, as regards caber-tossing in the workplace.

### Food for thought

■ Guests at last night's 1992 Amer Bank Review Awards - at which the first prize of \$25,000 was awarded to Richard Rose of the University of Strathclyde for his essay on "Eastern Europe's need for a civil economy" - were asked not to read anything personal into the seating plan.

With tables named after "famous and infamous theories of economics", according to Amer Bank chief economist Richard O'Brien, invitees could have found themselves herded onto tables labelled anything from crawling peg, to animal spirits, to marginal utility. "We took care to make sure there weren't any eastern Europeans seated at 'shock therapy'," O'Brien reveals.

### Reason to carp

■ My friend the tropical fish-fancier is downcast because his best supplier has gone all koi.

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THE WELSH ADVANTAGE







## COMPUTERS IN FINANCE

SECTION III

Tuesday November 10 1992

The pressures of deregulation, growing competition and rapid technological change are forcing senior managers to look carefully at their IT budgets. Alan Cane finds that the financial community is demanding more for its money

## New search for value

THE world's big financial institutions may have killed off the computing "dinosaurs" - huge projects which promised to integrate every aspect of their businesses - but they still have to learn how to exploit information technology (IT) for survival and growth.

A decade ago Dr Eckart Van Hooven, then head of Deutsche Bank, told a conference a price had to be paid to move into the new world of electronic banking, adding: "If the price means giving up the identity of the banking profession as we know it today, then for me the price is too high."

But in spite of predictions that technology would eliminate distinctions between financial institutions, they have remained separate in culture, management style and business strategy. And for most, it is the cost of the technology that seems too high.

The dinosaur projects, epitomised by Anacomp's ill-fated integrated banking system or Midland Bank's cancelled "Megabank" project, were creatures of the 1980s, nurtured in those balmy days when money was seemingly no barrier to attempts to scale the technological heights.

Today, a more realistic regime prevails. The pressures of deregulation, increased competition and technology changing at an unprecedented rate are forcing senior managers to

examine their investments in IT more carefully. Expectations of the technology are rising, but budgets are under close scrutiny. There is also a new understanding that technology is a moving target and that standards laid down in mega-projects are impossible to enforce.

A survey of IT operating costs in Europe carried out by Andersen Consulting shows that the rise in IT operating costs is set to continue. It suggests these costs are rising at an overall rate of 21 per cent a year, compared to 5 per cent for other non-interest costs.

Andersen says: "The dramatic 30 per cent growth in capital expenditure between 1988 and 1989 has faltered slightly, but there is commitment to the next wave of massive investment in technology." It warns, however, that the economic justification for large scale expenditure on IT is becoming increasingly difficult. Unit costs have not been reduced; revenue generation has not been adequately improved.

Suppliers of computing equipment are keenly aware of the pressure on IT budgets.

Mr Roger Bellas, managing director of Tandem's UK subsidiary, says the total amount spent on computing equipment by the financial community has fallen: "Institutions are looking closely at the cost of



ownership." Tandem is one of a number of companies that supplies banks with equipment for "mission-critical" applications, where computer failure has an immediate consequence in terms of money lost or customers angered.

Mr Robin Stainer, Andersen Consulting's retail banking specialist says that senior managers are determined to achieve better control of their technology. While at one stage IT was seen as a black art, an understanding of the potential and pitfalls of computing is now recognised as an important component of a financial specialist's skills.

Three main issues now dominate thinking about IT in finance: downsizing, security and outsourcing. All are a consequence of the increasing power and falling cost of today's microelectronic technology. All are concerned with keeping a cap on costs and achieving value for money.

Downsizing implies the substitution of low cost networks of small computers for large and expensive mainframes. The financial services business has traditionally been built around mainframes with huge processing power and the capacity to handle a database of millions of accounts.

"Client-server" is the name given to a network of smaller machines which operate collaboratively to process a workload. The clients may be personal computers or workstations. In a simple network, the servers might also be workstations, but could also be either mainframes, or even supercomputers. The database may be distributed through the network.

Lively debate surrounds the question of which approach offers the most advantages.

Supporters of mainframe technology argue that in the

long run, centrally managed data is cheaper and more effective. They also point out that software for collaborative processing in client-server networks is at an immature stage of development.

Data processing management of personal computing systems is at a similarly early stage. A survey by the consultancy Nolan Norton shows that personal computing management practices are relatively immature. "On average," it says, "current personal computing practices are only 34 per cent effective, compared with 81 per cent effectiveness in traditional mainframe environments".

Client-server advocates point to lower costs - perhaps as little as 25 per cent of an equivalent mainframe system: PCs are less expensive on a price/performance basis and cost little to run.

Security has become the

single biggest technological concern for the financial services business. As managers have become more knowledgeable about computing and communications, they have become aware of the risks to their business in networking.

In the UK, the subject has been given added impetus by worries about the integrity of plastic card processing systems.

Questions have been raised about so-called "phantom" withdrawals from automated teller machines (ATMs), cash taken from machines apparently without the card owners' knowledge or consent. While such withdrawals amount to only a tiny percentage of the card fraud, they indicate there may be unexplained loopholes in the ATM security.

This is an important question for banks, building societies and any other financial institution using ATMs as a

cost-effective way of expanding business.

Barclays Bank in the UK says: "The idea that money can mysteriously disappear from an account without the use of a card and the correct personal identification number is a pure myth."

The question will shortly be tested in the British courts. In the meantime, the principal banks are debating a move to "smart" or chip cards with a renewed enthusiasm. Smart cards, which contain a micro-processor and memory, are virtually impossible to fake. The banks are also experimenting with cameras in ATMs to establish without question customer identities. Biometric methods including fingerprinting and signature verification are also being tested.

Out-sourcing is perhaps the most controversial of the cost-saving measures with which financial services companies are experimenting.

It implies passing over to a third party control and management of the data centre against an agreed level of service. In practice, the data centre and computers frequently pass into the ownership of the third party while the data processing staff are taken on to the payroll.

According to the marketing consultancy Dataquest facilities management or out-sourcing is set to grow by 20 per cent annually in the UK. It represents a significant change for companies which have seen their data processing systems as their source of competitive advantage.

Nevertheless the London Stock Exchange earlier this year agreed to pass responsibility for running its computer systems to Andersen Consulting in a deal worth up to £15m a year over the next five years.

Other financial sectors are following suit. Mr Michael Kelly, head of Touche Ross's asset management and insurance division recently wrote that insurance firms no longer believed they could secure a competitive edge through technology. "Companies have matured in their views on IT. They are saying, 'Let's give IT to the professional managers'."

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Editorial production  
Sarah Murray



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## COMPUTERS IN FINANCE 2

## WHOLESALE BANKING

## IT put firmly in its place

TO THE Information Technology directors of financial institutions, money is now a serious subject.

Since the stock market crash of 1987, the advance of IT has stalled. Too many organisations believed competitive advantage was the only goal worth achieving and the route to that goal lay in signing up for ambitious and often unproven systems. Vast outlays on state-of-the-art dealing rooms looked a poor investment when banks started sacking dealers by the hundred.

Developments were still needed, but the emphasis was on cutting IT spending. Ambitions have been curtailed, but IT can still prove a powerful weapon in the competitive trading battle. If the order of the day is cost-consciousness, some institutions have learned to use their bedrock of IT experience as a revenue earner.

At Barclays Bank expertise in Electronic Data Interchange (EDI) has proved attractive to third parties. The bank has spent \$4m on establishing Barclays Trading Master. This is a service that allows corporates to out-source receivables and payables.

Messages are received in industry standard EDI format and full settlement is achieved via Barclays' Chestnut computer

centre. The need for customer intervention is eliminated.

For Barclays, this kind of service has more promise than high-profile adventures in the retail banking sector. "Issues like smart-cards are on the back-burner now," says Mr Tim Earles, Barclays senior product manager for EDI. "We want to reduce overheads for corporate customers, to take that responsibility off them."

Of the 1m UK businesses Barclays has identified, so far only 5,000 are using EDI. The aim is to establish a global EDI infrastructure.

**'We want to reduce overheads for corporate customers, to take that responsibility off them'**

structure that reduces the administration burden for clients while keeping Barclays' computer operations busy. The Trading Master software was written internally in conjunction with systems house EDS.

Mr Ronald Bain, director of financial services at EDS, is familiar with the drive to squeeze every last penny of value out of an IT infrastructure. As a prominent third party contractor, his company stands to

benefit. But Mr Bain has words of caution. "It can't just be about costs. Its got to be cost allied to service quality and value."

Mr Julian Wood, a City IT consultant and visiting lecturer on banking at the City University Business School, has seen institutions vent their anger on the IT department after technology spending failed to yield proportionate results. However, he thinks the vengeful mood has had its day. "That's given way to a more mature level of understanding. Money's definitely tighter and the renewal cycle has expanded. But physical factors like relocation will still demand new IT projects."

City dealers go out looking for new dealing rooms, but they have become cautious. Telerate, the market data feed company that ventured into dealing room software to manipulate price information, is well aware of the sea change that came after the 1987 crash.

"In the roaring '80s they bought everything on the market. Now they want to fit the products to their needs," says Mr Bruno de la Riviere, Telerate's regional manager for systems and markets. He has just sold a 48-position trading room to merchant bank Schroders for around \$750,000. It was no easy deal, he says. From the first contact with the customer to securing a signature on the contract took over 12 months.

It would never have happened in the old days, when banks set up shop in purpose-built high-tech offices and clamoured for any new technology that would put them one month ahead of the pack.

In the post-deregulation euphoria that swelled the coffers of financial technology outfits there would have been no question of building the entire dealing room for



Schroders' trading room set up by Telerate: digital data feeds allow staff to manipulate information from different market data providers

client approval before receiving payment. But that is what Telerate had to do to before Schroders would accept its Trading Room Product (TRP).

"We're a live dealing room. We didn't want to install a new system and go through software testing on site. I wasn't happy doing that unless I could see the whole system up and running. It had to be right and then installed over one week-end."

Mr Lester Gray, head of treasury support at Schroders, recognises that IT enthusiasm went too far during the mid-1980s, but is keen to distance Schroders from these excesses. "We never got caught up in keeping up with the Joneses."

Mr Gray got what he wanted, a treasury dealing room using digital data feeds that allow his staff to mix, match and manipulate information from different market

data providers. He is reluctant to admit to driving too hard a bargain, stressing the need for banks to maintain a cordial relationship with suppliers.

But one technical watershed has played a critical role in returning power to the customer. Open systems - enabling the running of software across a range of hardware platforms without worrying about compatibility - is important to the IT industry. And open systems has actually delivered on its promise.

This means Schroders was able to concentrate on software, the real tool its dealers would work with. In a recent speech to an international banking conference in Brussels, Mr Shigenori Nagata of the Nomura Bank research institute was cynical about the workings of the computer industry. Pointing out that only 20 per cent of Nomura's IT costs went on devel-

oping systems to support the business, Mr Nagata blamed the large number of proprietary systems used at Nomura for its inability to reduce the size of operations and the large number of in-house experts needed to keep diverse systems running. He concluded that cost efficiency would come "via the route of standardisation." The policy of standardising equipment within one bank was not enough. "Only the application of industry standards will provide full satisfaction," he said.

Nomura has discovered that the era of competitive advantage through unique IT projects was no more than an excuse for suppliers to write their own script. Adventurous developments will continue, but with the IT industry put firmly in its place.

Michael Dempsey

"THE ABILITY to do a deal always runs ahead of secure settlement and the custody function." This comment, from Mr John Griffin, director of business administration at GT, the fund management group, sums up the frustrations of trading in international equity markets.

Capital may move more readily across borders, but the infrastructure needed to support such capital flows is still under development.

The emerging markets of Latin America or Asia provide the biggest headaches, most have been concerned more with attracting foreign capital than with worrying about how to modernise their settlement and payment systems. The financial scandal that engulfed India this year is a direct result of an inadequate settlement system, although in the money markets rather than the stock market itself.

The emerging markets are not alone. A number of more developed countries, among them the UK, still function on antiquated stock market settlement arrangements. The huge growth in financial markets in the 1980s prompted a concentration on "front-end" trading systems, with too little attention given to

automating what happened after a trade had been struck. Until these national systems have been revamped, links between domestic stock markets, making international securities investing easier, will remain a long way off.

The slow progress on London's paperless system, Taurus, could soon yield results. After over a decade, the system has at last entered the early stages of testing and is scheduled for some time from next September onwards. But while London enters the final lap in the development of Taurus, it is worth remembering that at least one back-office activity is being automated with the minimum of fuss.

Trade confirmation is one of the main steps in the process that starts with a stock market trade and ends with cash and shares changing hands. Confirmation of the details of a trade usually travels by telex or fax. At the end of 1991, a group of investment institutions, led by Fidelity, the Boston-based fund management group, decided the process should be automated.

Just a year later, electronic trade confirmation (known as ETC) is a reality. Two systems, developed by

While operation of Taurus is at last in sight, ETC is moving rapidly ahead

## Light at the end of the tunnel

the London Stock Exchange and Thomson, have been launched, while a third, from the International Securities Markets Association, is due before the end of the year. All conform to the same standards and links between the three are planned for next year.

It is all a far cry from Taurus. Leaving aside the scale and technical complexity of each project (Taurus is in a league of its own), the comparison is instructive.

Taurus is a political compromise, designed to square the conflicting demands of its many users - brokers, registrars, banks, investors and listed companies. No wonder that each of these groups has at times sounded unenthusiastic about the final design: you can't please all of the people all of the time.

ETC, on the other hand, is a solution to a specific problem, prompted by a particular group of financial

institutions. There is no whiff of political compromise about the project - custodian banks, who have asked to be admitted to the system, have so far been left on the outside.

The first priority is to complete the system and get it accepted by brokers and investors, says Mr

**Not a whiff of political compromise surrounds the ETC project**

Chris Smith of Fidelity. That involves building the links between the three competing systems, and extending the concept around the world (the initial ETC project is intended for investors in Europe).

Another big difference is that Taurus represents an attempt to use technology in order to preserve the status quo, while ETC looks ready

to overturn it.

Taurus was designed in many ways to mimic the existing structure of the share transfer system. Registrars, for instance, retain a central role, maintaining details of shareholdings for the vast bulk of shareholders (they will become known as "company account controllers"). Only when rolling settlement comes into operation - when all stock market trades are settled a set number of days after they have been agreed, probably five - will the nature of share settlement change markedly.

The extent to which ETC alters the relationships between stock market participants is difficult to predict. Ostensibly, the system is being built to serve a limited function, replacing existing communication methods with a more efficient one.

However, by putting institutional

investors on the same communication network, it could in theory provide the basis for greater direct contact between them, in the process by-passing traditional stock market intermediaries such as brokers and custodians. This is the clearest example so far of the way in which technology is changing the boundaries between different intermediaries in the securities markets.

Meanwhile, Taurus seems at last to be within reach. Barring unforeseen technical problems, the biggest threat to the successful implementation of Taurus is the attitude of listed companies. Each company must ask its shareholders' permission to "dematerialise", or make the switch to the new system.

Enthusiasm has been lacking on the part of listed companies for the system so far - fears that Taurus will make it more difficult to identify the beneficial holders of a com-

pany's shares have not subsided. Many also believe that, after all the delays, the technology will have to prove itself before companies make the switch.

Marks & Spencer has been the most open in voicing this sentiment, but others feel the same. "I sense a reluctance," says Mr John Watson, the Taurus project director. "Companies are saying 'we can't see it and touch it'. That's an inevitable reaction - but it's one we are gradually overcoming, I think."

The reluctance of companies to join could extend the phase-in period of Taurus, leaving the City in the expensive position of running an electronic settlement system and, in parallel, the existing paper-based one. That will eventually leave listed companies paying larger bills for share registration, says Mr Watson. "Companies need an effective registration sector - and they're putting it's costs up."

It will be a great irony if, having struggled for so long to get agreement on and then build Taurus, the Stock Exchange fails to persuade many listed companies to use it.

Richard Waters



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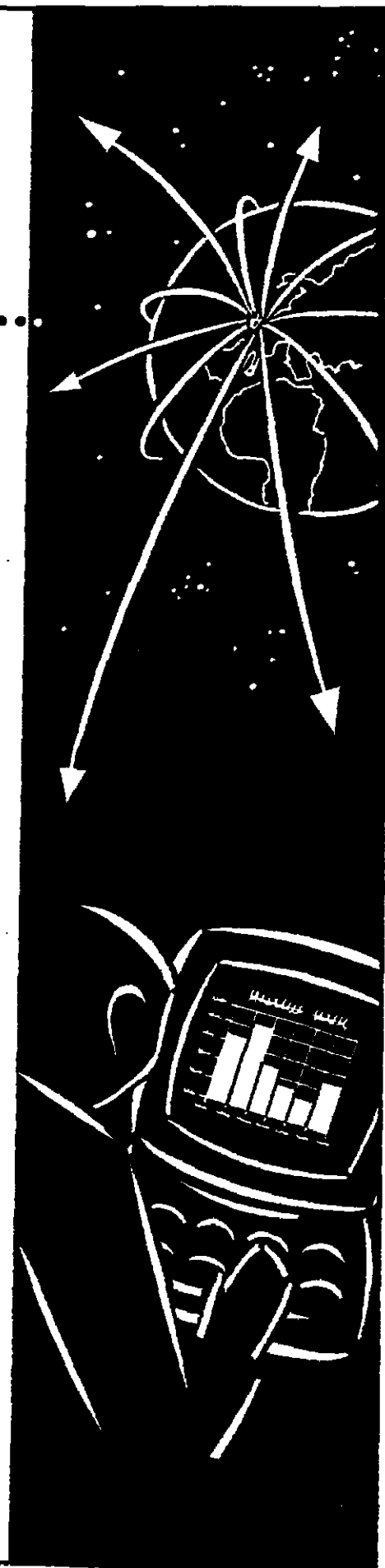
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FINANCIAL TIMES





## COMPUTERS IN FINANCE 3

Retail banks are employing contractors to sort out their IT requirements

## The customer now comes first

COUTTS Bank clings assiduously to the frock coat and royal family image that befits a 300-year-old bastion of the English establishment. Customers need £70,000 a year to open an account and, once they have done so, claim the famous red leather chequebook holder.

The atmosphere projected by Coutts seems a world away from hole-in-the-wall cash machines and computer driven funds transfer networks. But Coutts knows its 40,000 wealthy customers expect more than a quaint uniform and impeccable social connections.

Foreign exchange – in serious sums – is a common pre-occupation of Coutts account holders. The bank's 30 exclusive branches handle some 1,200 sterling transactions every day. These involve amounts large enough to be extremely sensitive to slight variations in exchange rates.

Until this year, foreign exchange transactions required confirmation with Coutts head office and extensive manual intervention. Although customer disquiet has not been in evidence, since 1988 the bank has been trying to automate a large part of this process and tidy up its service. A heavily-

adapted software package from McDonnell Douglas, International Banking System (IBS), was brought in and applied to the task of pushing most foreign exchange work out to the branches.

In terms of customer service, the £700,000 project has allowed Coutts to concentrate on what it is best at. The personal touch is what differentiates Coutts from High Street banks such as its parent NatWest. Now the branch staff

**Replacing administrative chores with keystrokes has eliminated a lot of donkey work**

have greater autonomy over straightforward deals and foreign exchange specialists are only called in for the tricky minority of transactions.

Replacing administrative chores with keystrokes has eliminated a lot of donkey work, leaving Coutts people with more time to attend to its well-heeled customers.

The choice of IBS was a mark of Coutts' independence. NatWest runs IBM mainframes, but Coutts is happy to stick with Digital Equipment hardware. McDonnell Douglas

makes hardware, but Coutts was only interested in its software offering.

It saw IBS as a system that could be drastically changed to meet localised needs. McDonnell Douglas' willingness to co-operate is a clear sign of its steady drift out of the hardware sector. The erstwhile book-maker is keen to establish a new image as a flexible systems house that can supply appropriate programs to run on whatever hardware platform suits the user.

This is a trend that suits the finance sector with its multiplicity of systems. No one IT supplier can meet the needs of a large bank and the days of computer companies presuming to dictate the agenda of financial institutions are well over.

Barclays Bank keeps its branch network running with a wide range of computer and banking equipment. For the past four years this catalogue of gadgets, ranging from bomb detectors to ATMs, has been maintained by one IT supplier. Barclays appointed Olivetti to take over the task of dealing with 200 separate maintenance contracts in a deal initially worth £56m.

The policy has worked, and Barclays has just renewed the

arrangement with a £100m contract that takes it up to 1997. Mr Brian Newman, a senior purchasing manager with Barclays, says Barclays is now down to 20 sub-contractors for branch automation, all dealt with by Olivetti. Barclays signs the cheque and gets on with its primary concern of retail banking.

Going to one IT company to manage branch systems has not committed Barclays to one source of computers and software. Quite the opposite. Like McDonnell Douglas, Olivetti has learnt to co-exist with whatever equipment the customer installs. Mr Newman perceives a neat irony in this.

Ironically, Olivetti have won relatively few IT contracts during the life of the branch automation arrangement," he says. Building societies have become indistinguishable from banks in retail services and hard-headed IT strategies. The National & Provincial is buying in software from financial systems giants and commissioning adventurous work from small development shops.

N&P is trying to galvanise its senior executives with a £300,000 suite of software from NCR. The idea, fated in IT industry jargon as groupware, is to encourage live pooling of

the management process. Familiar PCs run the NCR Co-operation program across 60 desks.

A graphics-based front-end encourages directors to break away from their secretaries and share decisions with colleagues through the key-board. N&P used The Software Partnership, a 100 strong systems house in Cheshire, to pull its Max telephone banking package together. The Software Partnership is in business to

**Banks recognise the value of an IT consultancy with dedicated knowledge**

promote Architect, a software tool written with the banking sector in mind.

Architect, says The Software Partnership's marketing director Mr Nigel Walsh, "can connect any device or network into the bank's financial products". It provides a formal framework for programmers working on a project and automates much of the time-consuming coding process. For £500,000 N&P got Architect, the hardware to run a telephone banking system, and a result that its marketing department

thought would appeal to younger customers.

The Marlborough Stirling Group (MSG), a Cheltenham-based software house, is dedicated entirely to financial advice programming. It installs packages that guide bank staff through financial counselling with the customer. Unlike large systems houses MSG has stuck to the one niche, employing its own actuaries and legal experts. MSG charges between £100,000 and £750,000 per institution.

Banks and building societies have recognised the value of an IT consultancy with a dedicated knowledge base. After eight years in business MSG, counts the Bristol & West building society and Allied Irish Bank among its clients. For them, MSG represents a practical answer to a specific problem. And there is no danger of a small consultancy trying to expand its involvement and lecture to the entire business.

Persuading the notoriously opinionated IT industry to work to the customer's blueprint has never been easy. In the past large suppliers were all too keen to elevate IT as an end in itself.

But financial institutions have found that by confining contractors within strict project guidelines they can reclaim the high ground of policy making and get back to banking. It is one innovation that will certainly benefit the customer.

Michael Dempsey

Cheap technology means trading is becoming fragmented

## Markets start to multiply

EVER thought of setting up your own stock market? Thanks to advances in information technology, it has never been cheaper – as evidenced by a proliferation of new trading systems, each fighting for a share of turnover in the international equity markets.

The new wave of technology poses some difficult questions for policy makers, however. Do the users of stock markets – investors and companies wanting to raise capital – benefit from competition or are their interests harmed by the resulting fragmentation of stock market trading? Is computing power actually reducing or distorting competition in stock markets, for instance by allowing some big broker-dealers effectively to run their own private markets?

That technology has brought down the cost of running a market is shown by the plans of Tradepoint, a company seeking to raise £11m to finance a trading system to take on the London Stock Exchange. The

dealers and stock exchanges. Both recognise, though, that active traders are needed to make their markets function, and so try to harness the risk-taking of broker-dealers to provide a more continuous market.

Bringing investors together in this way is, technologically speaking, fairly simple. Tradepoint's system, which uses software developed by the Vancouver Stock Exchange, routes investors' buy or sell orders on to a central order board; other investors can then deal against these orders at will. Tradepoint also plans periodic computer auctions of less actively traded stocks. Instant, on the other hand, allows users to negotiate over price before reaching a deal.

This growing competition in the European equities market already has its parallel in the US. The New York Stock Exchange has been under attack for some years, as evidenced by the fall in its market share of equity trading in the US. It remains the centre for trading in NYSE-listed stocks, but a number of alternative trading systems have discovered a profitable niche operating around the market's fringes.

**It will be easier for investors to trade directly**

annual running costs of Tradepoint will amount to around \$5m, says Mr Peter Bennett, chief executive and himself a former director of the London exchange. That means, to break even, the system needs to capture just 1.5 per cent of institutional share trading in London, he estimates.

Compare that with the London exchange, which has cut back on staff in the past two years yet still faced running and costs of £170m last year. Of course, the exchange does not only run a trading system: for instance, it sells information, settles share trades and acts as a regulator of share issues. But, faced with having to work with the technology it already has, rather than being able to start afresh, the exchange's technology costs are inevitably higher than its newer rivals.

It operates with six different mainframe computer types and eight different programming languages. It employs eight separate networks using four different protocols and 11 suppliers. This – and the weight of its history and regulatory responsibilities – means the exchange looks slow to react to technological change compared with its faster-footed rivals.

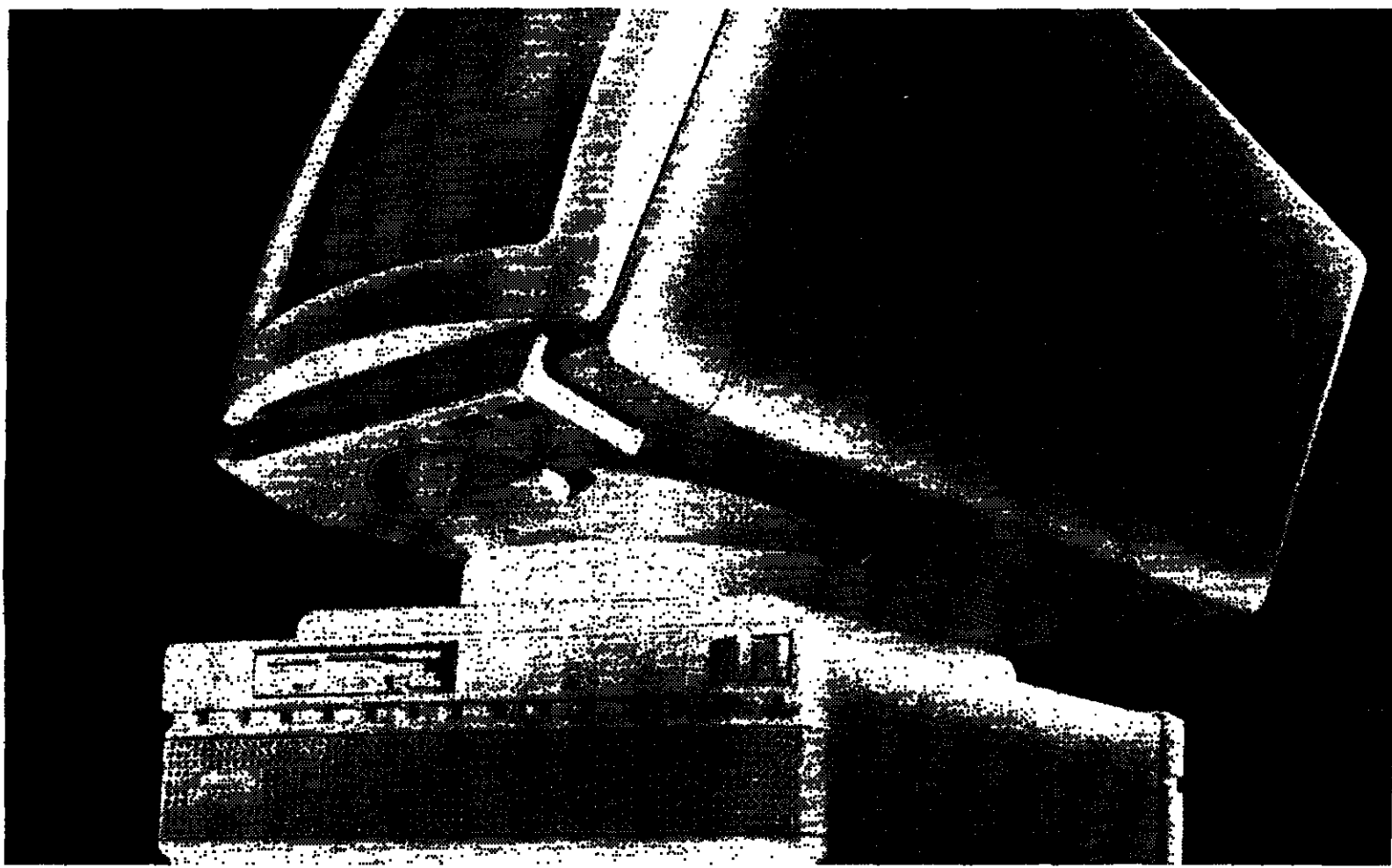
It faces one other big handicap: being owned by broker-dealers, it is under pressure to develop trading systems which benefit broker-dealers. Yet technological development should make it easier for investors to trade directly, cutting out the middlemen altogether.

Apart from Tradepoint, the exchange's rivals include Instant, the Reuters-owned trading system which has built considerable market share in the US but has yet to develop a strong following in Europe.

Both systems are intended to bring institutional investors into contact with each other, allowing them to trade directly and so by-pass the costs of intermediaries such as broker-

Not all are likely to survive. By definition, markets are only successful if they attract enough trading activity to make other traders want to use them. Those that do not establish this critical mass will wither away as traders focus their attention on the market-places where the action is. For those electronic markets that win, the future could be very profitable indeed.

Richard Waters



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## COMPUTERS IN FINANCE 4

Lloyd's underwriters take their time over computerisation

## Traditionalists addicted to paper and ink

UNDERWRITERS at the 300 year old Lloyd's of London insurance market are overcoming their scepticism about new technology but the journey from traditional methods of trading to the electronic marketplace is proving painfully slow.

Little progress has been made so far in either placing business or in processing claims electronically. And brokers perceive Lloyd's to be lagging behind its rivals in the company market. Yet there is a growing realisation among the market's underwriters that new technology must be embraced.

A Lloyd's syndicate was one of the first insurers to underwrite a risk electronically when the electronic placing support (EPS) initiative came on stream in the London market earlier this year.

So far, though, only 20 agencies of the 100 or so managing syndicates trading in the market this year have equipped their syndicates to trade electronically via the a system called electronic placing support.

Many older underwriters have yet to overcome their fear of new technology. Only a handful of personal accident and reinsurance deals have been placed electronically up to now.

Mr Terry Hayday, the chairman of the Lloyd's Network Steering Group which co-ordinates the activities of Limnet at Lloyd's, explains that electronic placement has always been designed to support rather than replace the traditional face to face negotiations between underwriters and brokers.

"We are well aware that the penny has only just dropped that electronic support means just what it says," says Mr Hayday.

Even so, there is widespread scepticism on the market, espe-

cially among underwriters whose main business is underwriting more complex individual risks.

"It is not going very far. I'm a bit cynical about it. The market as a whole seems to be labouring with it," says Mr Mark Bodkin, an underwriter with one of the market's biggest syndicates, Cater Allen 180.

"It is not really relevant for the business we underwrite. We require a lot of information. You can get far more out of a broker than you can from black and white numbers on a screen," adds Mr Bodkin.

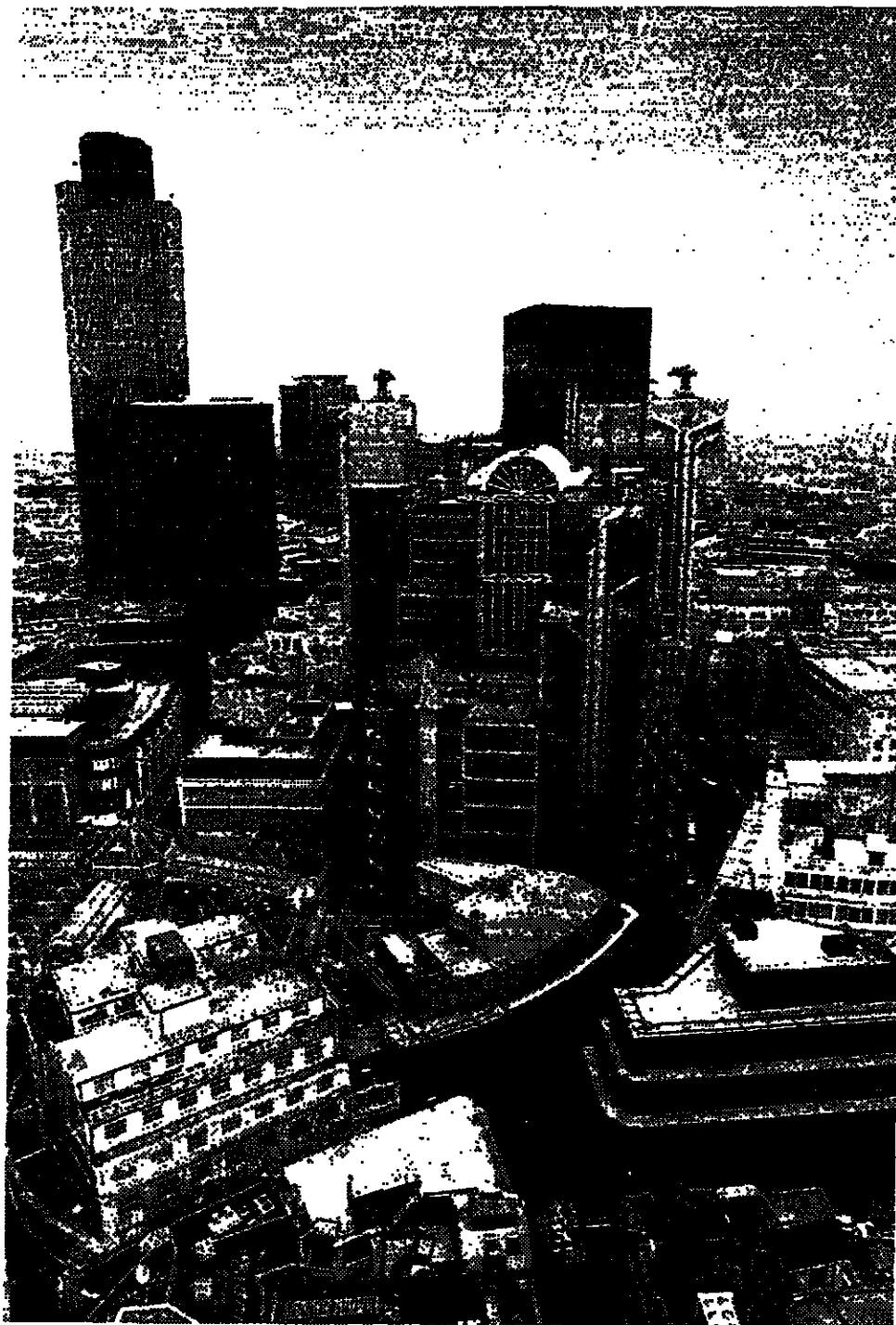
Mr Hayday accepts that the initiative has been launched at a bad time, with many syndicates hard-pressed for cash. Even though connection costs have fallen over the past few months, Mr Hayday accepts that underwriters "are naturally understandably reluctant to commit themselves until they know what the volumes going through the system will be."

"In today's environment where there is great emphasis on cost cutting it is difficult to persuade people. For a number of people whose syndicates may not be around next year it is not the highest priority."

Lloyd's has made less progress in another area of electronic trading, that of claims processing. Insurance companies who are members of the Institute of London Underwriters and London Insurance and Reinsurance Market Association are already processing more than 50 per cent of their claims payments electronically.

By contrast the Lloyd's market has only just begun to rationalise its existing paper-based claims handling systems.

Until July this year, claims that were paid by the market's marine, non-marine and aviation underwriters were all processed by separate offices.



Lloyd's of London: the break with 300 years of tradition is painfully slow

Picture: Ashley Ashwood

The recently established unified claims office has yet to introduce an electronic claims system, although it is launching a pilot scheme at the end of next March and, at present, it envisages the introduction of a full scale system in 1994.

More progress has been made in a third EDI application, for processing reinsurance recoveries.

Underwriters are probably more optimistic about Lloyd's

possibilities in this area than any other. Mr Richard Holliday, of syndicate 40, for example, believes that the LORS system will greatly add to the market's efficiency and bring immediate benefits to individual underwriters.

"The cost of generating reinsurance recoveries will fall. At the moment there are mountains of reinsurance credit and debit notes floating around," says Mr Holliday. "The new

system will help with cash flow."

In spite of the doubts, though, everyone recognises that Lloyd's must come to terms with new technology. "I think there is an awareness that we have to wake up to new technology," he adds.

Mr Phillip Davies, of the Octavian Agency, whose syndicates have been among those linking up to the electronic placing support system, summarises the mood.

He says that his underwriters regularly check the system but rarely find any business is being offered. "It's a bit like when fax machines started. Somebody had to start getting them."

Richard Lapper

The London insurance market approaches change at varying speeds

## Structural obstacles litter the route

SIX YEARS after "big bang" and long after other city financial institutions have changed their working practices, the London insurance market is slowly beginning to embrace new technology. But the pace of change has been uneven.

Larger insurance brokers - professional insurance buyers - and insurance companies have backed the changes which they believe will radically increase the efficiency of the London insurance market and improve its ability to compete against European and North American rivals.

"Insurance is like any other business in that nothing focuses the mind more than the prospect of losing clients and making losses," explains Mr Max Taylor, chairman of the board of Limnet, a London market network which links up underwriters and brokers from all sectors of the London market.

Supporters of new technology have been forced to tackle an array of structural and cultural obstacles. The London insurance market is highly fragmented, divided by function, market specialisation and business organisation.

Brokers who buy insurance on behalf of commercial clients have no direct community of interest with underwriters. Underwriters of traditional marine insurance sometimes see their interests as quite distinct from reinsurers or insurers of large commercial risks.

Insurance companies, whose branches or divisions, are members of the Institute of London Underwriters (for marine business) or the London Insurance and Reinsurance Markets Association (for non-marine business), do not always see eye to eye with syndicates at Lloyd's of London.

Above all there are few big players, who have the economic weight within the market to force through changes. Lloyd's consists of more than 279 syndicates managed by about 100 agency groups and the ILU and Lirma each has more than 100 members.

This is in sharp contrast to the structure of the retail market's structure, where new technology has been introduced rapidly and thoroughly. Huge supermarket chains have been able to use their economic muscle to force suppl-

ers to adopt computerisation, says Mr Tim Taylor, of IBM which supplies hardware and systems support to the London Insurance Market Network (Limnet). Many underwriters have a small business mentality. "People are jealous of their own independence," says Mr Taylor.

Lloyd's, the ILU and Lirma agreed to develop common market standards for electronic communication in 1987. However, given the market's fragmentation, progress has inevitably been uneven. It has been most comprehensive in backroom operations farthest



Limnet chairman Max Taylor: losses concentrate the mind

removed from the markets' day to day trading activities.

Limnet's "signing and accounting messages" application handles the cash flow transactions that follow the placement of a risk. Brokers and underwriters deal with all these accounting transactions via centralised market bureaux - such as the Lloyd's Policy Signing Office.

These act as financial clearing houses. Virtually all these transactions - some 28m a year - are now handled electronically across Limnet.

In transactions affecting the day to day business of placing business and handling claims, progress has been understandably slower. However, both ILU and Lirma companies now process more than half their claims electronically, while some individual brokers handle a much higher proportion.

Willis, for example, processes more than 80 per cent of the claims it deals with over the electronic system. Even the Lloyd's market, where three separate claims offices were unified in July, hopes to

launch a pilot scheme at the end of next March.

Ms Jenny Shaw, executive director of Willis Corroon Group information systems division, says that the average time it takes to pay claims has been reduced five weeks to between two to three weeks.

This has yielded important savings for Willis which has been able to handle the huge volume of extra claims emerging from the London insurance market's recent heavy losses without having to take on extra staff.

Ms Anne Waite, divisional director of Willis Corroon's marine division, says that the system has helped staff avoid mistakes and improve the consistency of its data.

Progress in electronic placing of risks by brokers has been much less rapid. This is partially because many underwriters are only just beginning to understand how the EPS system can support the more complex face-to-face negotiations which are such an important part of business in the London market.

"The bulk of the more than 200 risks placed electronically since the system came on stream in April have been for insurances such as personal accident policies, in which terms and conditions tend to be standard. In the insurance of more complex risks, electronic trading supports rather than replaces face-to-face negotiations."

For example, Mr Richard McFarlane, international property broker with Willis Corroon, recently spent up to 20 hours in talks with two "lead" underwriters to agree on a large portion of the insurance of an Australasian power plant.

These "lead" underwriters examined a range of details about the risk, ranging from the geology of the area where the plant was located, to the cost of alternative power supplies, before agreeing a premium rate.

Once these matters were agreed, support from a "following market" - made up of more than a dozen other insurers - was gathered electronically. The ability to trade in this way saved the brokers and underwriters time and money.

Richard Lapper

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We're delighted to have played a part in LIMNET's success.

WHEN Karl Benz built the first motor car in 1885, a law was already in place in the UK requiring that a person should walk, carrying a red flag, in front of any car. The UK insurance business has historically had its own red flag for technological developments - an in-built suspicion. However, in the last five years this attitude has changed, radically in some cases.

Some people within insurance have seen the need for the application of computers beyond just word processing or use of the odd spreadsheet. They have worked hard to promote electronic data interchange (EDI), and several initiatives have made progress in this direction.

Electronic trading is the future for insurance, and it is likely that within the next few years the passage of insurance transaction information over computer networks will be as ubiquitous and unremarkable as the use of a motor car to get from A to B.

Electronic trading of insurance requires the sending of standardised, structured information securely between the parties involved in the transaction - client, broker and insurer. Current initiatives aim to allow insurance quote, proposal, policy, claims, adjustment, renewal, accounting and other administration information to flow over networks between brokers and insurers. Limnet is one such initiative which involves the London insurance market.

Within the UK there are parallel initiatives in the electronic trading of personal lines insurance - motor, household and life - and in commercial lines. As Mr Mike Anstee, director of electronic marketing at London & Edinburgh Insurance, says: "It is imperative for the market that we get EDI moving to get rid of both paper flows and the duplicate entry of data."

Motor business has forced the pace. A large boost to electronic trading was given by the Automobile Association, a leading motor insurance broker which is part of the BROKERNET EDI community comprising insurers, brokers, and International Network Services (INS) - the operator of the network over which the information flows.

These systems allow a client to walk into a broker, see a motor quote, choose a policy, have a proposal and a cover note printed off, and for the information to be sent down the wire to the insurer. Account reconciliation between insurer and broker is also available.

The next step is for EDI links to handle "mid-term adjustments" (for instance, when a client changes car or address),

Motor trading sets the pace for instant data swapping

## The process is irreversible

BROKERNET initially developed EDI standards for motor insurance, and the momentum required for the widespread adoption of these standards came largely because of the volume of business done by the A.A. In September 1992 INS saw a flow across the network of around 400,000 electronic documents of a dozen different types. Around half of this flow involved "new business" motor insurance transactions.

Mr Colin Billings, director of INS, argues that there are two encouraging signs. Firstly, initial resistance to the setting of standards has been overcome. Secondly, the phrase "electronic trading" has become accepted within the insurance industry. Standards are vital to

renewals, and claims. EDI would then, for example, allow a broker, to follow the progress of a claim by linking in to the relevant insurer's internal computer system.

Household insurance is also in line for the EDI treatment, with the initial round of standards' definitions in train. In the life insurance sector electronic systems are still largely centred around videotext technology.

However, developments here were boosted by the formation in early 1991 of The Exchange, a company funded by 20 leading UK insurers aimed at promoting electronic trading of many products - life insurance, mortgages and related products, pensions and annu-

ities, investments and savings, health insurance. The Exchange has made much progress in bringing together interested parties.

Commercial lines of insurance are less "off-the-shelf" than personal lines, and this is reflected in the gradual and coherent approach taken to the electronic trading of these classes.

More than 20 leading insurers and brokers set up a commercial lines market initiative (CLMI) in 1990. Following much development work a company, CLMI Ltd, was launched in August 1992. Mr Peter Foreman, managing director of Sun Alliance International, announced at the launch that accounting would be the first EDI priority, then electronic mail, claims and eventually the presentation of risk packages, at least in the easily rated classes of business.

Mr Alan Waring, electronic marketing manager at Sun Alliance International, says

that the two core objectives behind CLMI are increased efficiency and reduced costs. He adds: "It was decided that managers within the insurance business would dictate progress rather than be led by the computer systems houses."

Early CLMI feasibility studies looking at data and work flows were followed by more detailed work in four areas - business requirements, technical requirements, data standards, organisation and funding.

Mr Mike Anstee says CLMI has "come a long way quite quickly considering what we are trying to do". In April this year a CLMI report recommended progress in three phases.

Firstly, the formation of CLMI and the election of a board. Secondly, the introduction of facilities for premium accounting, claims administration, electronic mail, and the presentation of simple risk packages. These phases are now under way. The third phase, envisaged as being two or three years away, is introduction of EDI facilities for quotations, policy wording and renewals.

Mr Waring argues that the element of competitive difference between insurers must remain. The necessary setting of data standards required by EDI must not introduce inflexibility in products. The first phases of CLMI deal with practical solutions to backroom efficiency problems. For the next phase, "it is necessary to work out how far the industry wants to introduce networking for trading."

Commercial insurers deal with more underwriting criteria than those in personal lines. If products become totally price-driven it will be more difficult to provide value added service.

Mr Waring calls on the industry to address the question: how will a UK-wide network affect the shape and size of the commercial lines market?

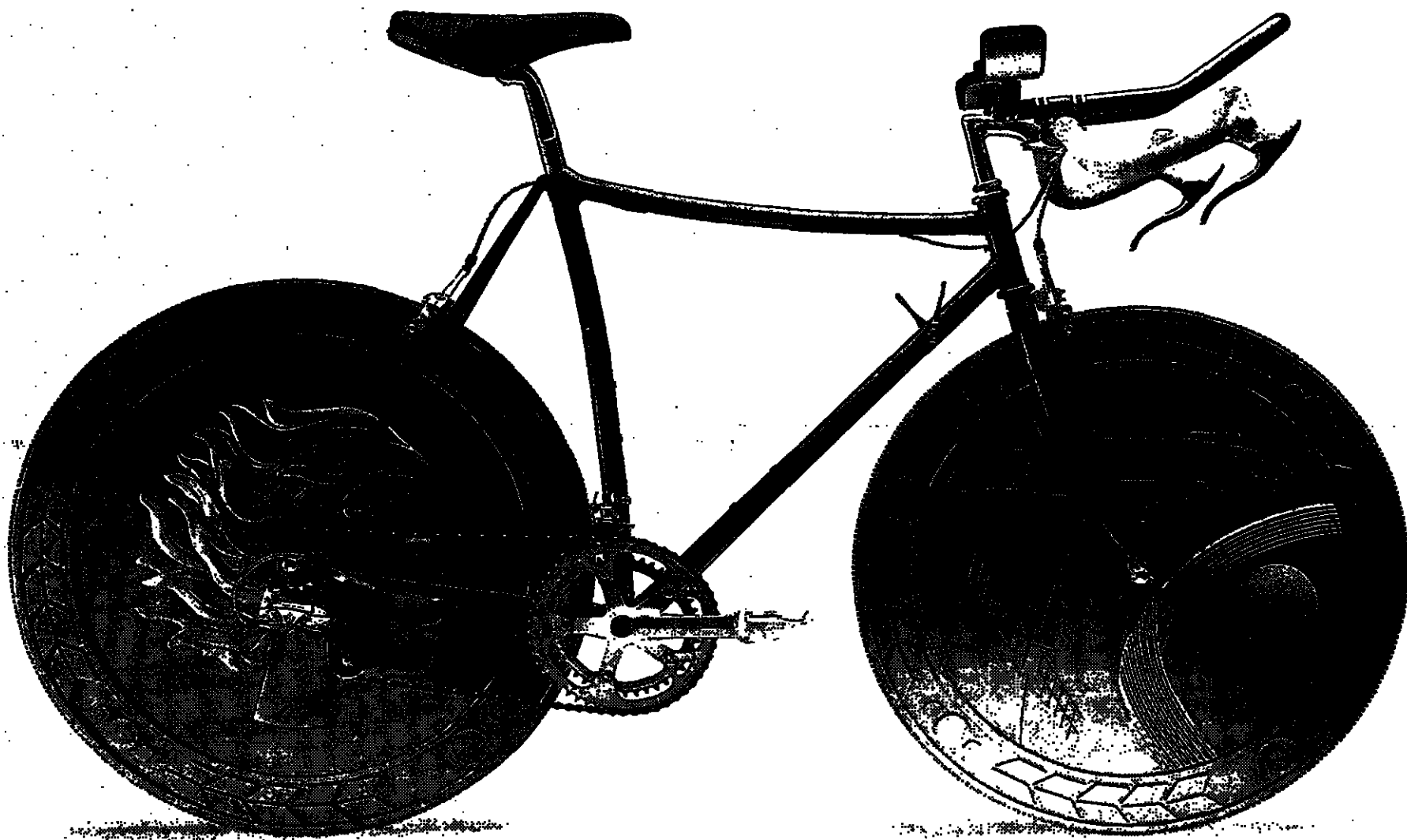
While EDI provides a tremendous amount of benefit in cost and efficiency terms, its use as a trading tool has to be assessed keeping in mind the potential to change the structure of the way business is done.

Simon Reynolds

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## COMPUTERS IN FINANCE 6

Economic models need to be improved

## Forecasting failure

ECONOMIC models have won few awards, and plenty of wooden spoons, in Britain over the past few years.

When it comes to predicting how economies work, few economists are happy unless they have at their finger tips a computerised model - sets of software which link economic variables such as inflation and manufacturing output.

Unhappily, in recent years the models have left much to be desired, especially in Britain where most have had a dismal record in forecasting the longest recession for 50 years. But while one reaction is to ditch the models and rely on intuitive methods to project economic patterns, there is a strong interest in trying to improve on the models.

In the UK, about 10 big economic institutions run their own models of how the economy is supposed to work. These include the Treasury, the Bank of England and other non-government organisations such as the National Institute of Economic and Social Research and the London Business School.

Copies or variants of these models are used in a large number of smaller forecasting groups, either in the City of London or in academic establishments.

But economic models are essentially tools which must be supplemented by the skills and reasoning process of the economists in charge of them.

Models usually comprise several hundred mathematical equations linking a few dozen specific economic factors according to statistical correlations applied previously or to economic theory.

Using the links between all the equations in the model, an economist would hope to be able to infer how different combinations of economic events pushed demand or spending in specific directions, and thus trace the possible path of the economy as a whole.

Most economic models are based on the mathematical relationships between such variables as consumer spending and interest rates that have been shown to apply in the past. They operate reasonably smoothly in economic

conditions similar to those which have happened already.

But Britain in the past few years has experienced a peculiar combination of circumstances. These have included the high costs of servicing the large debts run up by consumers and businesses in the late 1980s, entry into a fixed system of exchange rates, high European interest rates sparked by German unification and a slowing world economy.

That partly explains why hardly any UK economist was able to give reasonable advance warning of the seriousness of the recession, even though by early 1991 a small group of City and academic groups had woken up sufficiently to what was happening to be predicting a lengthy period of decline.

In this environment, many groups of economists are taking

## Economists are taking a hard look at their models

ing a hard look at the construction of their models and how they are used. Among the different initiatives are those to:

- Stop using models. Mr Peter Warburton, UK economist at investment bank Robert Fleming, says he realised three years ago that the monetary slowdown sparked by the high debts of late 1980s were making current models useless. Mr Warburton abandoned his economic model which he had worked on since the mid-1980s and relied instead on his own reasoning power and judgments. Perhaps because of this decision Mr Warburton has had more success than most in predicting the dire straits that the economy has fallen into.

- Plug holes in the existing models. Mr Leo Doyle, econometrician at Kleinwort Benson Investment Group used this approach in the late 1980s when reasoning that the Treasury model - a copy of which he was using - did not cover sufficiently areas such as the impact of debt on corporate balance sheets. He therefore introduced new equations into the model which Kleinwort Benson has subsequently used,

taking into account the impact of debt by both consumers and businesses on levels of spending and demand. He also worked into the model the effect of falls in asset prices particularly houses on confidence patterns and consumption. As a result of these changes, Kleinwort Benson has been one of the leaders in the UK in predicting that the recession would be lengthy.

- Simplify equations in the existing software. One approach has been to use vector autoregressive (VAR) models, which use fewer variables than most conventional models. They rely less on economic theory more on relatively straightforward statistical projections based on past data. The UK branch of Goldman Sachs, the US investment bank, is using VAR models. It reckons they are showing promise.

- Artificial intelligence. One relatively new idea is to match human intuition with the powers of computers. This boils down to extracting from top economists the kinds of rules and judgments they use when thinking about economic events and putting these in a form that a computer can understand. This computer is then linked to standard economic models to provide projections about economic events that are derived from the model's view of the economy mixed in with human skills. The Henry Centre and London Business School are among several research groups experimenting with this approach.

- Add more intuition. The Ernst & Young Item Club, a forecasting group which uses the Treasury model, attempts to come up with a number of outside judgments derived from industry representatives when providing an opinion about the future. It starts with a description of the economy mapped out by the model and adds opinions obtained from economists working in specific fields. Item's approach is a useful step towards formalising the interaction between the model and outside judgments which is a key part of any forecasting procedure.

Peter Marsh

Worries over breaches of security take centre stage

## The dangers are growing

A UK bank, coping with short staff over the Christmas holidays, recently gave a supervisor one of the two passwords needed to transfer funds overseas. The other password was stuck to the side of the personal computer the supervisor used. Within minutes he had transferred £2.5m overseas. Within hours he was on a plane, following it.

This is the kind of incident computer security aims to prevent. Most breaches of security are far less glamorous. Power failure is the biggest single cause, according to a recent survey of IT security by the NCC. Poor software, not diligent hackers, is another big cause of problems.

Malicious or not, risks to computer systems are increasing. More transactions formerly made on paper are now being handled electronically. At the same time the trend to make computer use universal is increasing the number of people that can gain access and do damage to computers.

The move towards distributed computing and away from centralised control on mainframe computers, adds to the hazards. "Every time someone tags on to a network legitimately they can theoretically hack on further," says Mr Andrew Mulholland, marketing director of BICC Information Systems and Services, a company which specialises in networking.

The danger is clear. How many breaches of security have taken place in the past is less so. Banks and other financial institutions are reluctant to admit to breaches of security.

In its 1991 Survey of IT Security Failures and Breaches, the NCC estimates the cost of physical security breaches such as power failures, thefts of equipment and fires, to be as much as \$100m annually for financial organisations. Breaches in logical security, such as faulty software or software viruses, total at least \$35m, it says.

The financial community uses various techniques to protect itself against such losses. The Bankers Automated Clearing Service (Bacs), for example, is protected from unauthorised

access on two levels, says Mr Cyril Bloch, managing director of Telesmart, a UK company providing software products to work with Bacs.

A password generator controls access to the network, automatically creating a new password each time a user enters their pin number. The password lasts only as long as the transaction.

This is combined with authentication. Users are issued a set of keys which generate an authenticator which appears at the beginning and end of each file, helping to protect the file from corruption when it is being transmitted. Files can also be encrypted so that even if someone does break into a file being transferred, the data will be in code.

Another technique now gaining currency is biometrics. A biometric is a measured value which identifies a person. It could be a fingerprint, a signature or even a retinal scan which has been analysed and given a unique identifier. "The difference between a biometric and a password is that a password can be stolen. A biometric can't," says Mr Jim Copson, a product manager for IBM's banking business.

Non repudiation has also become a feature of some systems. This allows the organisation to trace precisely via its computer system who was responsible for a particular transaction.

Security is like insurance: the more an organisation has

## The more an organisation has to lose, the more it will spend

to lose from a breach of security, the more it will spend to counteract that risk. For this reason more financial organisations are looking for ways to assess their risk.

Some have developed software packages which look at the various aspects of risk.

The larger clearing banks who are exposed to greater risks have evolved higher levels of security. Smaller organisations with older, less well

developed systems, tend to be more exposed, says Mr Clark. The trend towards the use of local area networks and distributed computing systems which take power away from the centre pose new security problems. "We only want some of the information some of the time," says BICC's Mr Mulholland.

Most networks are designed to allow for maximum spread of information. To counter this, BICC advises its customers to think about information domains.

Instead of sending all data all the way around a network, it should be limited to a particular group of workstations. This means creating workgroups and controlling the flow of information.

"The security of the information itself is not the only issue," says Mr Colin Williams, marketing director of Gandalf Digital Communications, a supplier of networking equipment. "People are realising that there is real risk in security of operation as well."

Many companies are developing standby systems to take over when the primary system fails. It may mean using services from both British Telecom and Mercury, so that if one is interrupted, the other may not be.

Advances in technology tend to multiply security risks and in the rush to use them, security considerations are pushed to the rear. But some advances will also help to increase security. The use of frame relay and cell relay technologies in networks is one example.

These make it more difficult to pull useful data off a network because small segments of data are routed over a network and not reassembled until they reach the end point.

Similarly, as the cost of biometrics continues to fall, they will be used more widely. Abolition of data exchange becomes more common, techniques such as biometrics which are now limited to banks will move into the commercial sector, says IBM's Mr Copson.

But, says Mr Chris Hook, deputy principal consultant at the IT security division of the NCC, "you can have as many passwords and encryptions as you like. They're not good if you don't keep the keys safe".

Margaret Coffey

IT helps building societies look after customers

## Service still friendly

THE UK's building societies are proud of the friendly image they have managed to hang on to, in spite of embracing much of the selling culture of modern retail banking.

Nor does this image seem to have been hampered by their enthusiastic adoption of technology. The building societies have the only nationally branded ATM network, Link, and their branches have long had counter-top terminals, whereas most banks have yet to install them.

A cyclic might say what keeps the service friendly is time it still takes to update a passbook on the terminal, leaving plenty of time to chat with the teller. But the main benefit is that a customer can go into any branch of his or her building society and make a withdrawal or a status (balance) enquiry with a passbook.

Unlike the banks, the societies have central customer data bases, even if many are still account-based rather than customer oriented.

"The building societies are the most sophisticated users of branch systems," says Mr Nigel Croisdale, director of ICL Financial Services Division, whose Omnia Branch retail banking system is aimed largely at the building society market.

But the recession and the collapse in the housing market, bringing a drop in mortgage lending and a rise in bad debts, has forced the societies to reassess IT and business strategies. The era of diversification into new product lines has given way to one of renewed concentration on the core savings and loans business.

Technology can be used to improve customer service and hence to maintain or increase market share. And while the building societies' cost/income ratios are generally better than those of banks, they are now looking to reduce costs and increase productivity. IT can help achieve this, as long as IT expenditure itself does not get out of hand.

Mr Paul Finch, associate

director with Computer Management Group (CMG), says the current climate has meant that the "naturally conservative" building societies are looking harder at IT spending. Some are "lean and mean" on the IT side, he says, but others have fat to be trimmed.

Unlike the banks, building societies have stuck to a "do-it-yourself" approach to IT, says Mr Finch. "They are reluctant to spend money on outside expertise or to delegate project management."

IT strategy has to be driven by business strategy. Mr Kevin Southwood, marketing director at Northern Rock, says, "but some institutions fall in their IT strategy because they don't have a well-defined business strategy, or because they change it every six months," he says.

The business strategy at Northern Rock is to go for high growth, calling for speed and flexibility in product development. "If I want to launch a new fixed rate mortgage I need to be able to get it out to the branches tomorrow, not in a fortnight," says Mr Southwood.

This flexibility has been achieved through core systems re-engineering, he says, while cost effectiveness has been improved by basic office automation. People, says Mr Southwood, sometimes re-engineer systems unnecessarily because they confuse systems problems with office automation problems.

Northern Rock has systems people attached to each business department, such as mortgages or investments, and this, says Mr Southwood, "helps enormously in the understanding and management of systems." This reorganisation of staff took place three years ago and has, he says, "brought spectacular benefits in terms of getting things right first time - it has dramatically changed our project times".

The Woolwich is another believer in in-house systems development, partly as a result of its bad experience in the 1980s when it had considerable



Ray Scott: downturn has brought a drive to cut costs

trouble modifying an integrated accounting package from Hogan Systems.

Mr Ray Scott, general manager of information services at the Woolwich, admits that the economic downturn has brought a drive to cut costs, in IT as elsewhere. There is, he thinks, "some scope for reining in costs without significantly impacting the business side". New development projects will be more closely questioned, as will costs and resources on the operations side.

But although the scope of development activity may be reduced, IT remains central to the Woolwich's business priority of improving customer services. "We have to focus on providing good quality IT support for the staff in the branches," says Mr Scott.

A big project for the next

12-18 months will be a radical overhaul of the Woolwich's branch systems. Being one of the first societies to have put online systems in all its branches, much of the equipment is due for replacement. The present mix of IBM dumb terminals supplemented by standalone PCs will be replaced by PCs running under local area networks (LANs).

Keeping up its levels of IT investment is the Leeds Permanent which has undertaken some big IT projects in the past couple of years. It has installed a new branch system based on a network of Olivetti PCs at a cost of £23m, and a new mortgage system in the form of a £10m Unisys UFSS package.

Mr George Scarlett, head of computer systems and services at the Leeds, describes the developments at branch level as "a phase of empowerment" - providing more systems support and allowing staff to perform functions previously carried out at head office. Conversely, the Leeds is also looking at taking out of the branch those administrative functions that do not affect customer service.

Projects in the pipeline at the Leeds include a prototype for a new front end system with a graphical user interface (GUI) to run on PCs in the branches, which is due to be rolled out next year.

Business strategy may vary from one society to another, but Mr Croisdale at ICL thinks one thing links those who are successful in their IT strategies: "The most successful IT users are those where the top management takes a hands-on interest in the success of IT projects."

Derek Austin

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## COMPUTERS IN FINANCE 7

## PROFILE: WINTER PARTNERS

## Open strategy for survival



Roger Bellas, managing director of Tandem UK

## PROFILE: TANDEM

## Fortunes shift with those of the industry

THE changing fortunes of Tandem, the Cupertino, California-based maker of "fault-tolerant" computer systems, reflect the shift in attitudes towards computerisation within the financial services industry which is its principal customer.

Founded in 1974, it has grown steadily if unspectacularly to revenues of \$2bn for the year ended September 30, 1992. The company made a net loss of \$41.2m after restructuring charges of \$106m. The company, therefore, has not proven immune to the effects of the worldwide recession on its leading markets.

Mr James Treibig, Tandem founder and chief executive, made it clear that adverse market conditions would continue. "We remain cautious about the future," he wrote, introducing the results. "Historical experience would indicate a slower first quarter and uncertainty in Europe and Japan continues."

The bald figures, however, give little indication of Tandem's position and continuing potential in the financial services world. In two decades it has become as clearly identified with "mission critical" systems in banking and finance as International Business Machines and Digital Equipment are identified with "back office" accounting machinery. Its customers include big banks and stock exchanges. One of the best-known examples of a Tandem-based system is the London clearing banks "Chaps" same day payments system.

There have been three phases in the history of Tandem. Its earliest role was as a pioneer of fault-tolerant systems. It was the first mini-computer manufacturer to understand that a market existed for systems which could be guaranteed never to fail. Customers for such systems included financial institutions, newspapers and the armed forces.

Tandem's approach was to duplicate all the essential hardware elements, controlling the allocation of resources through the "Guardian" operating system; Tandem computers, like any others, failed on occasion, but in a controlled manner without loss of data. It was an expensive approach, but for some applications there was no alternative.

In its next phase, beginning in the early 1980s, Tandem emphasised its expertise in on-line transaction processing (OLTP). It reasoned that fault-tolerance was of such advantage that within a few years, all computers would be fault-tolerant. At the same time, a rash of competitors emerged in the fault-tolerant arena, of which the most tenacious has proved to be Stratus, based in Marlboro, Massachusetts.

The threat failed to materialise. Perhaps because of the increasing reliability of computer hardware, few other manufacturers made much of fault-tolerance and Tandem and Stratus - which supplies its machines under a marketing agreement to IBM, Olivetti and ICL - remain market leaders.

On-line transaction processing, however, is the key to productivity in applications from payment processing, airline reservations, telephone networks, operations management, time and attendance and customer information. According to the Gartner Group, OLTP is the fastest developing sector of the computer industry with an annual growth rate

of 20 per cent; it is expected to be worth over \$70bn by 1994.

Tandem claims that OLTP run on its fault-tolerant systems is more cost-effective than OLTP run on its competitors' non-fault-tolerant (and therefore less expensive) machines.

In its third phase, Tandem is moving into "continuous availability", a stage beyond fault tolerance, where the system is never out of action. Components will, of course, continue to fail, but in such a way that they can be removed and repaired while processing continues.

Mr Roger Bellas, managing director of Tandem UK, one of the company's biggest markets outside the US, says that few companies have so far tried to design a continuously available system. "It is possible to create a continuously available system if you buy enough equipment, but that is quite different from designing a continuously available system from scratch."

Tandem typically spends 13-14 per cent of revenues on research and development and intends to maintain its investment; it is looking for economies elsewhere in the organisation as the recession continues to bite. Mr Treibig points out, for example, that the company has moved out of printed circuit board (PCB) manufacture, and sold off its PCB factory. It will now buy in its boards, fully populated with microchips and other electronic components. "We can never be happy with our costs," Mr Treibig says.

A big feature of the company's product line has been its ability to offer linear expandability - where performance increases in direct proportion to system size. In the past few years, moreover, Tandem has developed products to match industry trends to "open systems".

It offers a family called "Integrity" which provides fault-tolerance on the Unix operating system. Announced early in 1990, it was a startling development for a company whose success had been closely tied to the quality and reliability of its proprietary operating system, but its acceptance in the market is further evidence of the appeal of standard software.

Mr Treibig says: "After several years of investment in building a Unix-based product division, our Integrity systems division more than doubled revenues in the fourth quarter compared with a year ago and contributed to profits."

It has also recently moved into reduced instruction set (Risc) architectures which offer high performance at low cost. Its chosen partner in Risc technology is MIPS, now a subsidiary of Silicon Graphics. Mr Treibig seemed confident of MIPS despite the company's recent indifferent performance.

Referring to a new microprocessor from Digital Equipment which, on paper at least, is the world's fastest, he says: "I don't think that the Alpha chip is going to run away with the market." At the top of the range is the Cyclone/R, which Tandem says is the first Risc-based mainframe for high volume OLTP.

Mr Treibig believes Tandem's survival and success stems from its ability to provide scalable systems, fault-tolerance and data integrity. "It is not just the work of a few people. It is a whole culture," he concludes.

Alan Cane

AFTER a staggering period of expansion and prosperity in the mid-1980s, international financial institutions face a tough time in the current world recession.

Expansion plans have been postponed, especially those for information technology, and even the usually recession-proof software industry has found it hard to maintain the steady growth of a decade ago.

The world recession has coincided with a sea change in the structure of the computer industry - with leaders such as IBM and DEC laying off staff and their customers looking for ways to reduce costs. The trend towards downsizing and open systems is fundamental to this change.

The Swiss-based banking software supplier Winter Partners sees open systems as the best way to survive in tight market conditions. It started work on moving its main software packages to open systems in 1989 and expects to deliver the first results next year.

The development would have been achieved faster, had it not been for the company strategy of extending the scope of its packages, at the same time as broadening its potential market by taking the software to other computer systems.

"We have a two-pronged approach: firstly, we are moving the products to Unix platforms for open systems; and secondly, we are introducing more functions to meet the needs of our customers," says Mr Keith Williams, general

manager of Winter Partners' UK-based IBS-90 division.

"This is essential in the current market conditions, which are the worst I have ever known. Although we are still selling systems, we are seeing volumes between 30 and 40 per cent off - which I believe is typical in the rest of the industry," Mr Williams says.

With software installed in 400 sites across 35 countries, Winter Partners has shown that it is possible, however, to ride the ups and downs of international finance by spreading its net wide.

Founded in 1970, Winter Partners is a privately-held Swiss software company, with a minority interest held by Electrowatt AG. In its last financial year Winter Partners reported total gross revenues of SFr36m, (\$26.4m) earned from selling banking software packages and management consultancy. Revenues are split evenly between the two areas - although, in most cases, the consultancy effort is linked to Winter Partners own products.

Winter Partners sells three different software packages: ● Bancos, a package for private banks, sold mainly in Switzerland and mainland Europe;



Williams: two-pronged approach

● RIBS, a package for building specialised applications such as portfolio management, again sold mainly in Europe; ● IBS-90, the company's flagship package which covers all aspects of international banking and sold worldwide.

Development work on IBS-90 is carried out in the UK - including the effort to move the software to Unix-based open hardware.

The UK connection is the

result of an important acquisition and the company was virtually unknown in the UK until April 1987 when it took over Arbat, a leading UK banking software company.

The surprise takeover pushed Winter Partners into the headlines and increased its international profile. After steady growth through the 1970s, Winter Partners started its expansion phase with the aim of becoming a world player in the banking software market in 1980.

Since then, it has achieved a strong position in its European "home" market and in the Far East. In 1990, it expanded once more, this time into the US market. It now has offices in most big banking centres including the UK, Singapore, Hong Kong and the US.

Its customers include 50 of the world's top 200 financial institutions with names such as Barclays Bank, Kleinwort Benson, the Bank of England and National Westminster Bank at the top of the list.

Winter Partners has also taken up the challenge of the emerging market in the former eastern bloc countries of Europe and has sold its software to five banks in Hungary and one in Poland. The takeover of Arbat in 1987

brought Winter Partners a valuable prize - Arbat's International Banking System (IBS) software package, which runs on DEC's VAX minicomputer. The scalability of the DEC VAX has let Winter Partners to sell its software into a wide range of financial institutions.

In April 1990, Winter signed a co-operative marketing agreement with DEC to promote a re-vamped package under its current name IBS-90.

Over the past two years Winter Partners has invested an average of 30 per cent of its revenues in continued development of the package. More importantly, it recognised the opportunity presented by emerging open systems hardware and embarked on a project to re-write the IBS-90 software to exploit this. The UK development team is re-writing the IBS-90 modules in the "C" programming language, which is closely associated with open Unix systems. Once all the program code has been converted, it will be simple to tailor it to a specific Unix system.

The package consists of a large number of modules which can be used to build an "integrated" system for the international wholesale banking business. It covers front

and back office operations, in addition to providing management information statistics and analyses.

It includes modules to handle everything from treasury exposure management, through foreign exchange, to interest rate swaps and marketable securities.

There are also modules to handle commercial lending and credit control and business development analysis.

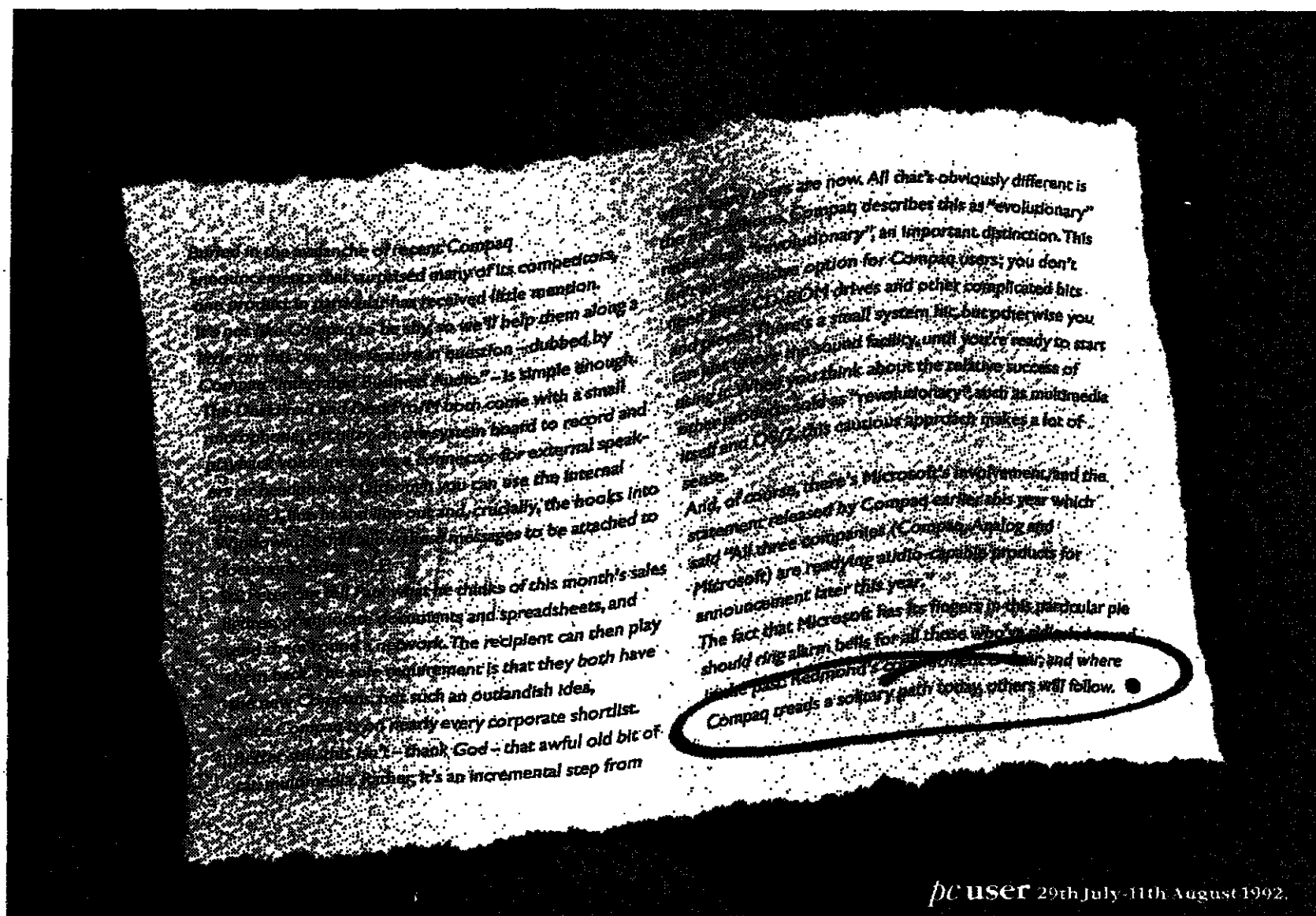
IBS-90 can link to the Swift network.

Winter Partners expects the first sales of the open version of IBS-90 to go to its traditional market based on DEC minicomputers. DEC is committed to making its DEC VAX range compatible with emerging open systems and Winter Partners' long-established relationship with DEC will stand it in good stead.

"But we will not be limited to just DEC as we are now," says Mr Williams. "Now the programs are nearly all converted to 'C', we can look for a broader market - depending on what choice our customers make."

By the third quarter of next year, when the first open IBS-90 packages are scheduled to be installed, times might not be quite so hard. But, whatever happens, the growth of open systems as the basis for future applications software, will give Winter Partners an important new market to sell into.

Philip Manchester



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## COMPUTERS IN FINANCE 8

The new Bank of Edinburgh is consolidating client information

## Starting from scratch

THE Bank of Edinburgh, a start-up bank funded by venture capital, intends to get away from the traditional banking services which restrict clients to a set of pre-defined product offerings. Instead it wants to tailor packages of banking services to meet its clients' individual needs.

In order to do so, it is installing a computer system imported from Canada. The system is novel in UK banking terms in two ways. It is sufficiently flexible to cope with individually tailored packages for clients. It also runs on a personal computer network.

According to operations director Mr Sandy Macdonald, the bank has tried to move the parameters of retail banking. Most banks today offer products: mortgages, higher interest accounts, 80-day notice accounts, and personal loans, are some examples. These products are the parameter for storing customer information on the computer systems.

But on the Bank of Edinburgh system, the data is structured so that the customer is considered as a single account. It stores customer information under their name, combined with a unique customer number.

Every piece of business that the customer does with the bank is registered as a sub-set of that account under the customer's name there might be three sub-sets, say, one for normal instant access, one for 90 days notice and another for a loan.

The system can also consolidate a client's entire banking data on to a single statement.

So instead of getting separate statements for their higher interest and cheque accounts,

the client gets one statement showing both accounts.

"The system is geared towards the relationship between the bank and the customer," says Mr Macdonald. "No matter how many accounts a customer has, we treat them as a whole, and at any time we can see that customer's relationship with the bank," he says.

The system is also able to break down information. For example, a solicitor's partnership might wish some items to be broken down to help it manage its own internal cost allocations.

"As long as you can identify the data, time and nature of the transaction, you can begin to start grouping things together... Possibly the reason why it has not been done before is because the descriptions have not been good enough," says Mr Macdonald.

For example, bank statements will usually show that a cheque was paid in, but not where it was from. "We believe the manner in which we will use the transaction codes will be more flexible," says Mr Macdonald.

Software for the system was developed by Canadian banking software specialist Prolog, working with the Richmond Savings Bank in Vancouver.

It is based on Prolog's own fourth generation language (4GL) software, known as Probe. The 4GL language is generally considered to be more flexible and easier to work with than older computer languages such as Cobol.

The Richmond Savings Bank installation now has 350 PCs in 10 branch offices, all linked across telecommunications

lines. It handles 600,000 accounts and processes 115,000 client transactions a day. It is claimed that a PC in a branch can retrieve information from the database in three seconds.

The software was adapted to handle UK banking regulations by the Bristol-based software house Apak. A deal was arranged between Apak and the Bank of Edinburgh, whereby Apak would refine the system to meet the bank's requirements, but Apak would keep the intellectual property rights. It hopes to sell the product in other parts of Europe.

The Bank of Edinburgh system, which is now installed, is much smaller than the Vancouver one. It has only seven PCs acting as file servers: one runs the network and the other stores the customer accounts database.

This is expected to be sufficient to handle early requirements for the bank. Its strategy is to expand by acquisition, and it is currently bidding for the Heart of England building society. Assuming the acquisition is successful, others could follow.

Any acquired building societies will be able to continue using their own systems, but will also be able to gain flexibility by linking up to the bank's system if they wish to. As it is built on industry-standard software and hardware, this should not be difficult.

The Bank of Edinburgh's system achieves a goal that many other retail banks worldwide are aiming for. According to Mr Paul Stockton, a banking specialist with Hoskyns Consulting, the banks today are looking to improve customer service but also want to ensure

remain profitable.

One issue that many are looking at is market segmentation. The large banks need large numbers of customers, and the only way they feel they can service that mass market is with standardised products.

Personalised service of the type by the Bank of Edinburgh is a way to attract the higher value personal and business customers, says Mr Stockton. "People now expect more from banking and all the banks are looking at market segments and niches" he says.

Many, such as the large UK high street banks, are constrained by older, monolithic mainframe systems, developed many years ago for a different type of banking market. All are making huge investments in new customer-oriented databases. But the huge investments required mean the process has taken a long time.

Start-up operations such as the Bank of Edinburgh, have the luxury of being able to design systems from scratch. Another example is the Midland Bank's telephone banking subsidiary, First Direct. At First Direct, bank staff sit at computer terminals with all the information about a customer at their fingertips.

Mr Macdonald stresses that the Bank of Edinburgh is not aiming to imitate First Direct. It does not have access to the wider range of banking services, such as cash point machines, that First Direct can obtain from Midland; therefore, it is clearly positioning itself at the high value market segment, which its own technology can adequately serve.

Monica Horten



LAPTOP SOLUTION: Birmingham Midshires Building Society is using NCR Safari notebook computers for its force of more than 100 financial advisers. The £250,000 contract was won in competition with 14 other portable computer suppliers. The order follows a decision by Birmingham Midshires last September to join forces with Sun Life property services division: the laptops provide information on building society and Sun Life products, and produce on-the-spot quotations and graphic illustrations for clients. The laptops are linked with Kodak Dicoal 701 portable printers.

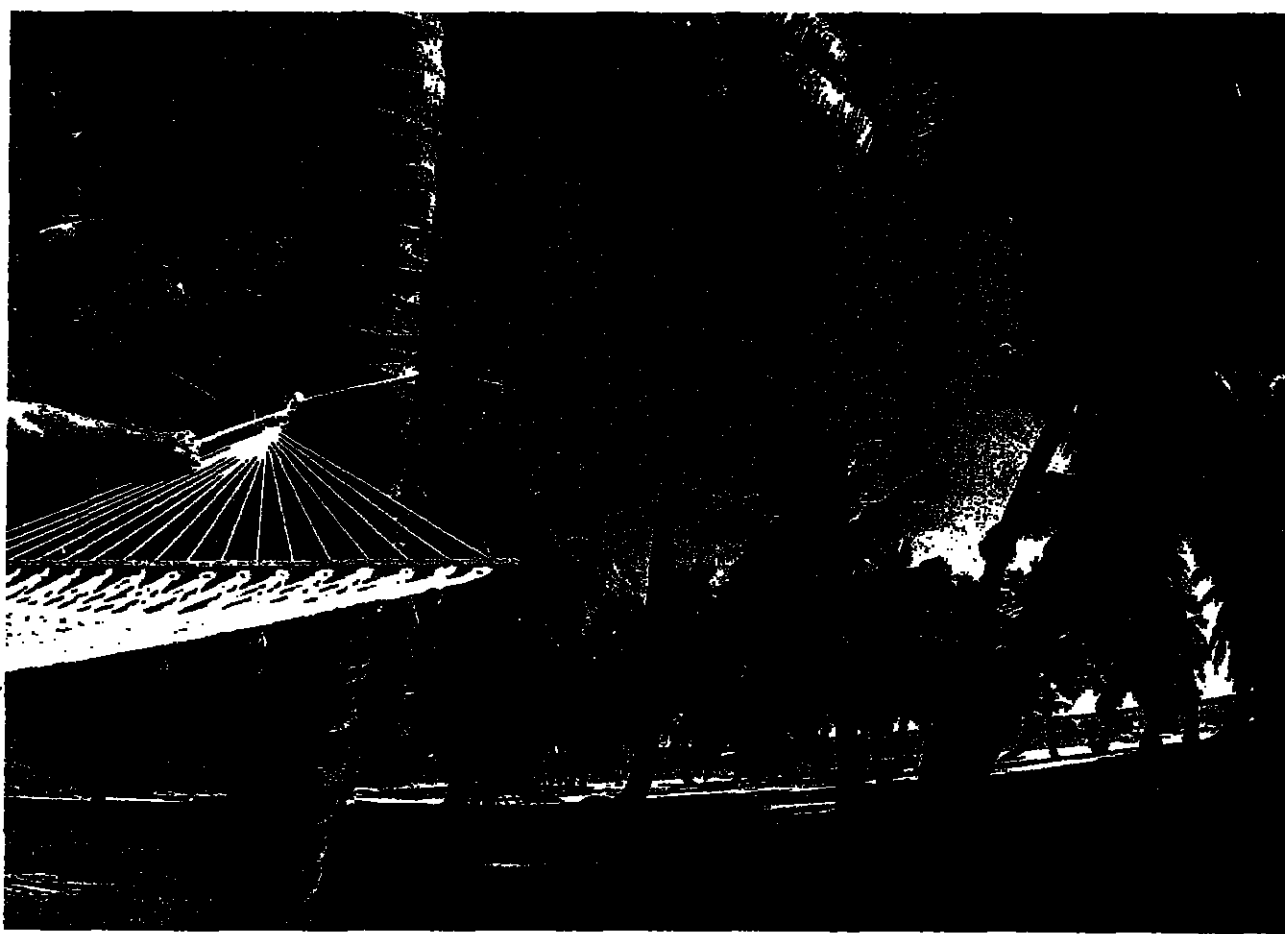
## Integrated banking system at branch level

NATIONAL WESTMINSTER Bank is spending £20m in the current year to get a comprehensive dedicated computer communications system up and running. Olivetti is installing more than 1,000 network controllers at NatWest - these controllers offer a high degree of communication in retail banking applications.

The controllers summon personal account data via the bank's network. To develop its nationwide branch server network, the bank is using systems from Symlicon Computer Communications of Eltham. Mr John Tibbott, Symlicon's chairman, says: "It was imperative for the bank to 'marry' its existing network to the application needs at branch level.

This demanded full flexibility of communications options." The installed NatWest solution involves a combination of Symlicon's products for open systems interconnection (OSI), System Network Architecture (SNA), and Unix TCP/IP communications. More details on the Symlicon system are available on 081-857-5577.

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ascom thinks ahead.

## THE US

## New ideas improve an old system

COMPUTER technology has long been at the forefront of change in the operation of the US banking industry.

From the introduction of the first automated teller machines (ATMs) in the 1970s through to the widespread introduction of the "debit card" over the past decade, computer systems have been instrumental to maintaining the breathtaking pace of change in what is - by its very nature - a somewhat conservative industry.

In spite of all this change, however, most US banking customers still prefer to do some things the old way. One might be forgiven for thinking, for example, that the growth of interest in EDI (Electronic Data Interchange) and consumer debit cards would have started to make the banking industry a great deal more paperless.

But that would be to ignore the familiarity and friendliness of the cheque. According to the financial services division of computer giant IBM, around 50bn personal and business cheques are processed by the US banking system every year and there is no sign of a significant decline in the use of cheques.

For this reason, the banks are taking another look at the way they handle cheques. The cheques are often proofed manually and then added up, using elderly 10-key adding machines before being finally entered into the bank's main computer system.

IBM, for example, has developed what it calls a "proof of deposit" system based on image processing and optical character recognition technology.

It operates by first scanning all the cheques into an image-processing system and storing an electronic image of each cheque and then using optical character recognition (OCR) software to read the details of the transaction represented by the cheque.

IBM claims that its Image-Plus High-Performance (HPTS) Proof-of-Deposit (POD) system is able to read and record more than half of the handwritten and machine-printed dollar amounts that appear on image-captured cheque faces.

It is also supposed to balance deposits automatically and identify illegible amounts and route them to a keyboard operator who can look at the on-screen image of the paperwork concerned and correct it accordingly.

The IBM system has been undergoing extensive trials at big North American banks in recent months and the company expects to start shipping it in December.

Among the institutions involved in these trials were

the Royal Bank of Canada, Key Bank, Mellon Bank and the Bank of America.

"Longer term, image [processing technology] has the potential to give the entire industry a higher quality level for its customers," says Mr Gil Arbuckle, a senior vice-president and cheque services manager at Mellon Bank Corporation in Pittsburgh.

According to Mr Bill Gee, manager of the Royal Bank of Canada's item processing services in systems and technology, this kind of technology is vital to his organisation's long-term strategy. "Proof of deposit is our focus today," he says.

[These systems] allow us to invest in a platform on which we can build new image applications and offer new customer services in the years ahead."

Cost savings and productivity improvements can come from all parts of the cheque-handling process. Most North American banks, for example, send customers back the originals of their processed cheques once they have been deposited through the banking system.

These used cheques are generally sent out with bank statements and must be physically sorted and enclosed with the bank statements in envelopes with which they are sent out.

Using image-processing, an electronic image of the cheques can be stored with the bank statement information and printed out along with the bank statement when it is prepared.

Image processing also offers the US banking industry other gains - helping them to handle all manner of paperwork without paper. It could be used to handle mortgage loan processing, credit card billing inquiries, commercial lending, mutual funds management, trust management and letters of credit.

The beauty of this technology is that it offers banks a "halfway house" between entirely automated, paperless operation - which many customers are still not entirely comfortable with - and the inefficient, over-stuffed, paper-laden systems of old.

When using image processing systems, paper still plays a vital role in getting information about financial transactions to the banks. But once a paper document arrives at the bank, it immediately becomes a computer image that can be passed around the corner or around the world electronically in an instant.

This not only means that the banks have greater flexibility in how they handle documents, it also means that the work represented by those documents need not necessarily be handled at the place where the documents are physically stored.

If one branch or department is over-burdened with financial documents to process, another can help out by having the electronic image of those documents sent over a wide area network or leased line. The work can then be completed by the other department and sent back to the place it came from.

Finally, image processing could make life a lot easier for bank customers. If, for example, a bank held a sample signature, a colour photograph or even a spoken voice sample as part of its worldwide database, any customer from any of that bank's branches worldwide could prove who they were easily and carry out more complex transactions than would normally be allowed from a foreign branch office.

Such a system also improves security for the bank - as it is much harder to forge a face, voice and signature than it is to forge the signature by itself.

Geoff Wheelwright

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## ENVIRONMENTAL MANAGEMENT

## SECTION IV

Tuesday November 10 1992

Growing acceptance of the need for environmental policies has lowered the tensions between "green" campaigners and industry. Public attention now focuses more on compliance with new regulations.

Bronwen Maddox reports

## A torrent of legislation

PRESSURE on industry to improve its environmental performance is entering a new phase. In the past two decades, in response to growing public interest in "green" issues, the US and the European Community have passed at an unprecedented rate a raft of new regulations ordering businesses to clean up the environment.

The broad acceptance of the need for environmental policy by governments and businesses has taken some of the heat out of the traditional confrontations between "green" pressure groups and industry, and public attention is now focusing more on compliance with the new rules. For their part, businesses are increasingly investigating whether environmental improvements could prove to be a commercial opportunity as well as a cost.

The scope of environmental regulation now in place or shortly to be passed, ranging from local to international, is now considerable and is the main factor causing companies to pay more attention to the environment, according to consultants' surveys.

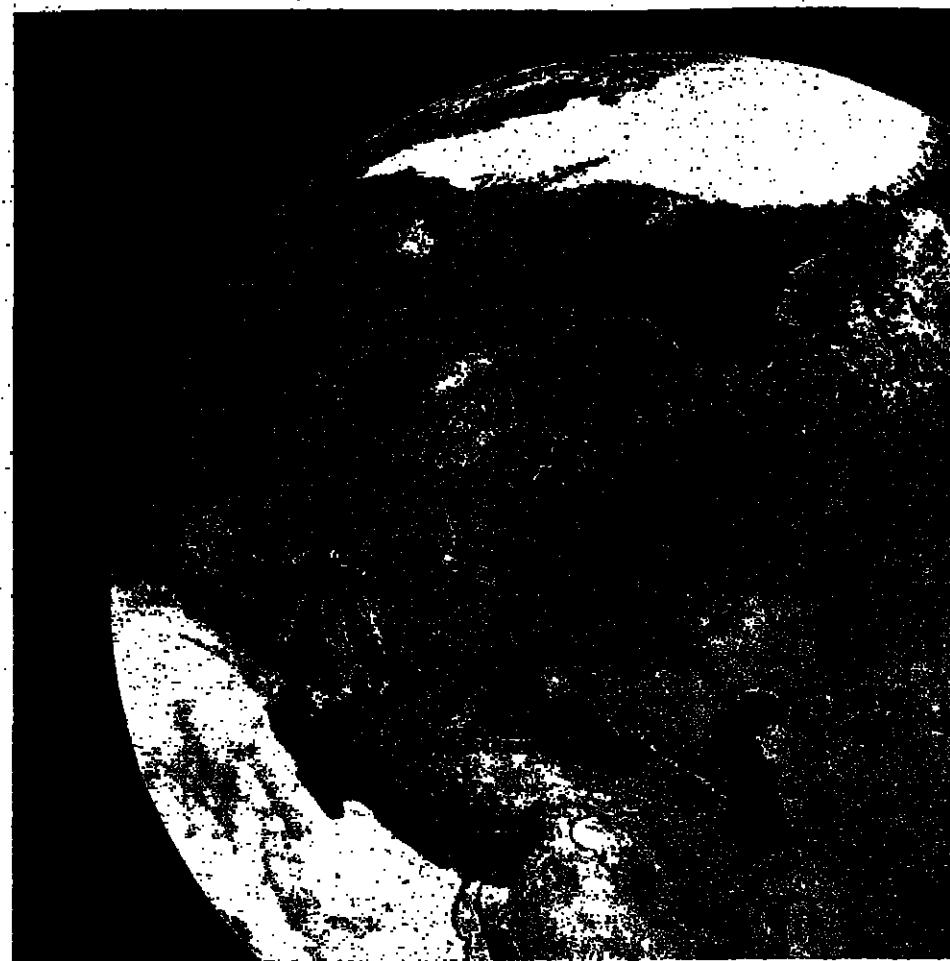
The number of international agreements has risen sharply: between 1948 and 1970, governments signed only nine international treaties, mainly on oil pollution, but since 1970 there have been 33 international treaties and 13 European Conventions, according to consultants' surveys.

Like the UK's proposed contaminated land register these rules could act retrospectively, saddling companies with costs for environmental damage committed many years in the past, even if the present owners or management were not responsible.

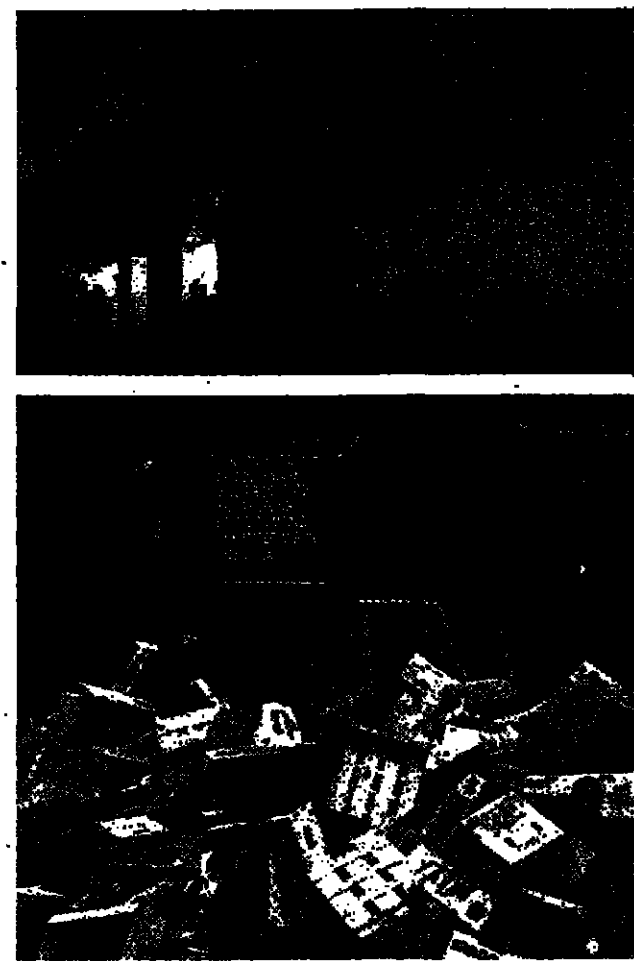
There is a growing emphasis on improving levels of compliance with regulation - the European Commission has acknowledged that its failure to enforce its 200-odd directives equally across member countries could hinder the operation of the single market, and EC countries last week agreed to set up a European network of inspectors.

Penalties for infringement are also becoming harsher. The UK's 1990 Environmental Protection Act holds the producer of waste legally responsible for its safe handling and disposal, and breach of the rules can result in criminal charges against the senior management.

The scope of this regulation, and the competitive changes it is provoking in many industries, means that more companies are beginning to make environmental management part of their overall management strategy. To avoid penalties - and the accompanying risk of damaging publicity - and to avoid being left behind by competitors, companies may need to scrutinise their production from "cradle to grave": the source of raw materials, the impact of the factory on its surroundings, the amount and type of energy



The definition of who is liable for combating pollution is widening: (clockwise) a satellite view of Europe from over the Ural mountains; a UK steel-works; a London vegetable market



### IN THIS SURVEY

■ **LANDFILL:** why UK operators may soon be in the dumps. The art of eco-auditing. Where companies can obtain specialist advice ..... Page 2

■ **INSURANCE:** UK insurers are reappraising the dangers of claims for pollution. The EC's dilemma over its 50m tonnes of domestic waste ..... Page 3

■ **CHEMICALS:** if the industry fails to respond to environmental pressure, it risks being legislated to extinction. Recycling in action - collecting foil shows how to be green and profitable ..... Page 4

But although some of the army of consultants and advisers appear to regard it as axiomatic that investment in environmental management leads to a competitive advantage, that is not true in all cases. In the UK water industry, EC directives have resulted in at least £15bn of the decade-long capital spending programme of some £45bn, but as the companies are regional companies it is hard to argue they have gained revenue.

The CBI has also suggested that some environmental legislation has been "unrealistic" and a handicap to businesses, not an opportunity.

Mr Paul Beatley, a Paris-based consultant with Booz Allen & Hamilton, says that it is right at least to ask whether environmental programmes really benefit companies in the long run, despite the costs, although adding that in his experience they do.

However, the question of the benefits of environmental spending is one that is asked increasingly frequently - as the full costs of cleaning up the environment have started to become clear.

The European Commission estimates that complying with directives - excluding the considerable costs of the nuclear power industry and water supply - costs member countries between 1 per cent and 2 per cent of GDP.

□ Contd on Page 2, column 1

consumed, the effluents poured down pipes or on to the ground, emissions through the chimneys and the final disposal of waste. That is before considering whether the product itself is "green" enough or whether customers will demand changes.

To encourage companies to look at environmental management systematically, the EC is discussing plans for ecoauditing - full, published, standardised figures on a company's impact on the environment - and the UK has begun trials of the new BS7750 standard of environmental management.

However, while many companies' intentions are good, in practice environmental management can be patchy. KPMG Management Consulting, an

arm of the international accountancy firm, which recently conducted a survey of environmental management in the top 100 companies in the UK, US and Canada, concluded that "most comments [in annual reports] were token efforts demonstrating that the company was aware of the environment as an issue and [gave] some broad promises of future actions".

It added that "in all three countries very few companies had used external consultants to conduct an independent environmental audit".

Unsurprisingly, formal environmental policies are most common in industries such as national utilities, oil and gas and chemicals which have been environmentally regulated for longest, while tourism and motor companies are only just beginning to publish plans, and financial services companies rarely mention the issues, according to a June 1991 survey by Touche Ross, the accountancy and consultancy firm.

For some companies, environmental management can bring commercial opportunities, as well as safety from penalties. The Confederation of British Industry, in its response to the Rio Earth Summit in June, has been adamant that there are "real benefits to the business of sound environmental performance".

Investment in "green technology" ahead of competitors can bring a competitive advantage, as seen in the race

between US oil companies to reformulate petrol and diesel to meet the US Clean Air Act deadlines of 1994-98, and the research spending of motor companies on catalytic converters and "lean-burn" engines to reduce emissions.

Other companies find that the best way of reducing the level of waste, emissions and discharges is to use raw materials and energy more efficiently in production, leading to lower costs.

A booming waste management industry has also grown up to take advantage of the rising costs of getting rid of waste, as it becomes harder to get regulatory permission for emissions or discharges from factories, or to open new landfills and incinerators.

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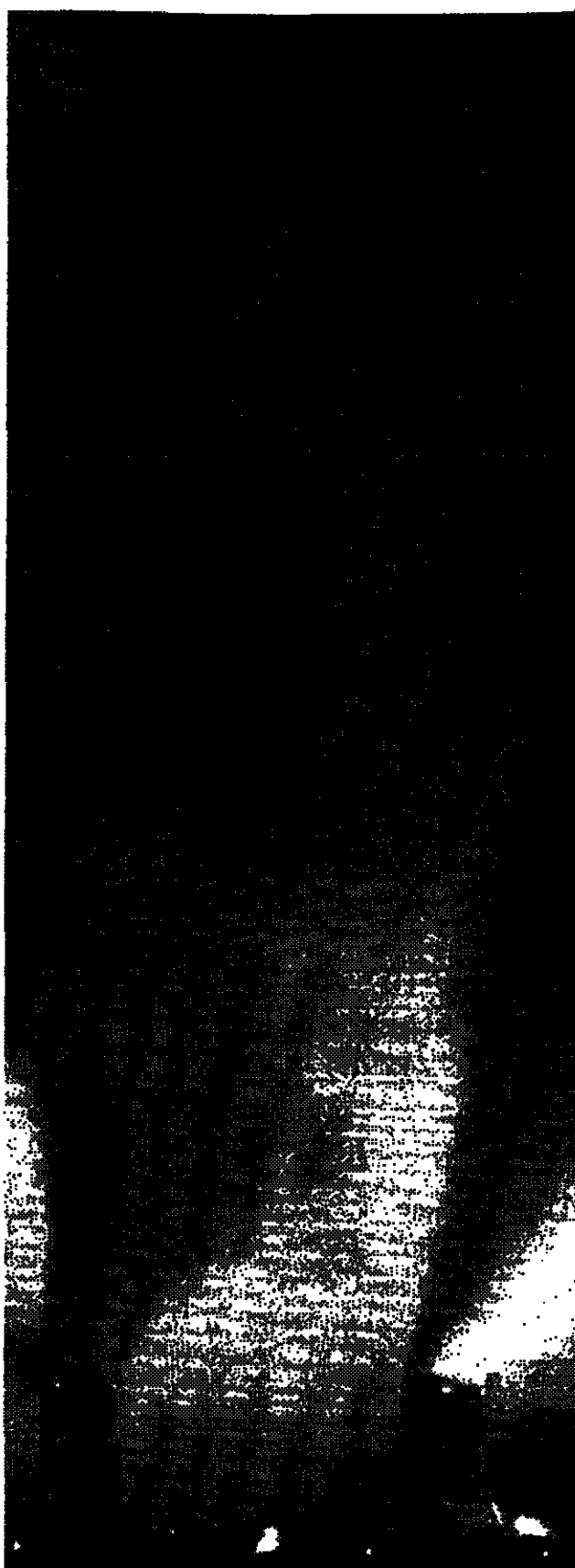
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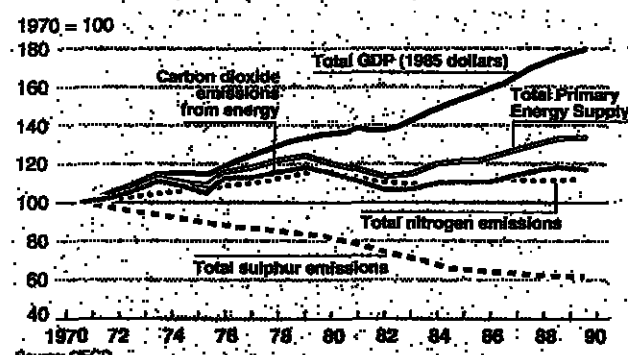
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## ENVIRONMENTAL MANAGEMENT 2



This amateur photographer's view of the US Fernald nuclear power station won a bronze medal in a UN-sponsored competition in May

## Energy supply, GDP and emissions



## Carbon taxes aired for global warming

Continued from Page 1

cent of GDP a year. In its June 1991 study Touche Ross said that on the basis of 150 environmental audits, European companies were spending around 4 per cent of turnover on environmental measures. This appeared to be nearly double US figures, although it emphasised that comparison is hard.

There are signs that growing awareness of the costs is slowing the pace of new legislation - the US currently has a moratorium on new environmental legislation, and EC countries are stressing the need for more realism about the economic impact of proposals.

Governments are also favouring "financial instruments" such as taxes or permits for industrial emissions instead of more regulation for dealing with environmental problems. At the Rio Earth Summit in June, the main solution proposed to the threat of global warming from the emission of "greenhouse gases" such as carbon dioxide was

energy or carbon taxes, possibly combined with taxes on vehicles. The costs of a carbon tax would undoubtedly be great, even if it was made fiscally neutral by lowering other taxes - the European Commission estimates that it could cut 0.07 per cent off EC real GDP growth in the first 13 years after introduction. But the advantages of financial instruments - both for governments and for businesses - are that the costs are more readily foreseen and their investment can be better planned.

The new mood of realism about the costs and limitations of environmental regulation may well benefit the environment, as standards of industrial compliance rise. It may also help environmental management progress further from present standards, as businesses become better able to judge the impact of environmental regulation on their markets and to spot opportunities and shape their strategies accordingly.

THE UK waste management industry will pass a watershed next March when disposal operators must decide whether to continue running their landfill sites.

Those who prefer to surrender their licences will be able to avoid liability for any environmental problems that subsequently surface: those who don't will be held responsible for a site until the end of its life or until it is sold.

The new rules, which flow from the 1990 Environmental Protection Act, should weed out the cowboy operators. Not only will this begin to clean up the image of an industry that has long been tarnished by disreputable operators - in theory, it should also reduce capacity, giving a shot in the arm to a sector that has fallen dramatically in investors' esteem.

For quoted companies this respite from the effects of recession comes not a moment too soon.

Having gone into the economic downturn with observers saying they would be recession proof (since there would always be a need to dispose of rubbish) many waste companies have reached this point in the cycle suffering from a severe malaise.

Not only has the recession reduced the amount of industrial and household refuse, but many companies have chosen to store rather than dispose of the more expensive low volume, high value wastes, in order to conserve cash. And, perhaps as a result, the downturn in volumes has exposed over-ambitious and weak managements which moved too quickly in the late 1980s to acquire assets.

In particular, the waste sector underestimated the depths to which the construction industry could sink in the UK, depriving companies of their bread and butter business.

The malaise in the sector



Mucking Flats, Essex, where Cory Environmental buries more than 1m tonnes of waste a year, half of it brought along the Thames in containers

UK landfillers face a tougher regime, writes Richard Gourlay

## Down in the dumps

was typified by the profits warning from Leigh Interests in September. The shares which had been standing at 26p, have since fallen to 14p in spite of a claim by the chairman that second half profits would be substantially ahead of the first half.

Likewise Caird Group, one of the more acquisitive groups in the late 1980s, suffered from a sharp increase in interest in its first half and has found trading conditions tougher since the interims.

What is more, there has been an almost complete freeze in corporate activity in the UK. Tarmac, for example, has had no joy finding a buyer for its Ecomwaste subsidiary at £85m-£90m. It has already

passed a target date when it wanted to have sold the subsidiary and may have to accept a much lower price.

The industry is anxiously awaiting the sale as a signal about latest valuations of landfill. The one exception is Waste Management International, the UK quoted arm of Waste Management of the US, which has been quietly buying companies in Europe, particularly in Scandinavia.

Like many City fads, however, the hype surrounding waste management companies was overdone when the sector was in favour.

By the same token, the gloom now hanging over the sector may appear more impenetrable than it really is.

Grounds for optimism include:

- the environmental legislation: over the next five years laws in Europe will inexorably tighten. They are already tightening in the UK as a result of the 1990 EPA; France has enacted a new comprehensive waste law which is likely to lead to the closure of 6,500 landfills; Italy is likely to put its first comprehensive waste law before parliament next year and will receive valuable support with the return to Rome of Mr Carlo Ripa di Meana, the former environmental commissioner. Germany's rules are already in place.

- the new legislation from the Environmental Protection Agency is starting to bite, even

though the UK EPA's birth was delayed. It has already increased the cost of disposal, particularly of the most toxic industrial wastes, and is reducing competition. Again, while some confusion exists over the requirements of European Community regulations and those arising from national and even local government regulators, the trend is clearly in the direction of favouring the supplier of high class services.

- the UK government's urgent wish for control of waste to pass into the hands of the private sector. While many local authorities may be better placed than outsiders to tender for business, there is nevertheless a strong move towards more basic waste management

passing into private hands.

- the duty of care for waste which has already started to play into the hands of reputable operators. Companies producing waste are now responsible for ensuring that a licensed carrier handles his waste and that it ends up in a licensed landfill site.

- some of the enthusiasm for waste companies sprang from the expectation of higher landfill prices. Undoubtedly they will rise - the cost of disposal in the UK is a sixth of the cost in Germany. The question is when. Some observers say the UK disposal is cheaper than in continental Europe because we still allow co-disposal of liquids and solid waste, the so-called practice of dilute and disperse. A more accurate assessment would, however, suggest the UK is cheaper because it still has a large amount of licensed landfill.

There are, however, some equally strong reasons for short-term pessimism about the future of the waste sector.

- some fund managers would not touch waste companies, even the most reputable, because of a fear of environmental liability;

- the cost of making new landfill is rising sharply. The application process is becoming longer and since last April new sites have had to ensure that proper precautions are taken to control liquid leaching and gas emission. This inevitably puts new operators - or operators of new sites - at a disadvantage compared with operators of older sites who do not need to recover the same investment costs. Some observers of the waste industry believe it could be five years before operators of old and new sites are competing on a level playing field.

While the waste sector seems to be bound to resume growth, investors will need a long term view.

Environmental audits are big business, says Andrew Jack

## Accountants cash in

AMIDST much kicking and shoving, environmental consultants are jostling for the fast-growing but increasingly competitive green market.

As insults are traded about the ability of individuals and companies to carry out the best, the industry is still trying to make clear its definitions and lay down standards in response to concerns over the quality of service being delivered.

In the meantime, business is coming under increasing public, political and legislative pressure to pay serious attention to environmental auditing, with mixed results.

Environmental audits have become big business. The latest edition of the directory of environmental consultants published tomorrow by Environmental Data Services (Ends), based in London, says the total market for consultancy in the UK was about £400m this year.

That was generated by 339 mainstream firms, representing 9,000 professional staff working on 19,000 separate contracts. More than 1,200 of these contracts - or 6.4 per cent - covered environmental auditing alone.

It is difficult to draw comparisons with the past because much of the data is being collected for the first time. But the growth has been rapid. There were only 125 environmental

consultants in the first edition of the directory in 1989, and 225 in the 1990 version. Most firms are expecting business to escalate rapidly.

That growth, particularly at a time of recession, is encouraging many new entrants. Ends estimates that more than 1,000 firms claim to be environmental consultants of sorts. Alongside the traditional players such as Arthur D Little, a host of boutiques have sprung up. At least three of the leading accountancy firms - KPMG Peat Marwick, Touche Ross, Coopers & Lybrand - have established special units.

That has led to some barbed comments about the competition: What is the quality of the smaller firms? Do the accountants have the appropriate skills? Are the non-accountants too focused on technical rather than managerial and rigorous sampling aspects of audit?

There is still also ambivalence about future growth in the consulting industry. Demand for services is not without its difficulties. While con-

tracts may prove lucrative in the short-term, auditors may in the future run the risk of being sued if they fail to unearth or highlight the significance of potential environmental liabilities such as site clean-up costs forced on their clients at great expense.

Yet this competition has to be put in perspective. Most companies still do not have environmental audits. Companies who audit tend to do it irregularly, on only parts of their operations, and entrust the job to in-house staff. When audits do take place, very few of the findings make it into the public domain where they could be more objectively scrutinised.

There are exceptions. The chemical industry and some of the other sectors often regarded as more environmentally harmful have long conducted audits of sorts, not only to ensure compliance with regulations but for solid commercial reasons: recycling saves vast amounts of money.

More recently, public pressure,

good practice guidelines and existing and prospective legislation has begun to have a more wide-ranging impact. The 100 Group of leading finance directors produced one set of guidelines earlier this year.

BS7750, the British standard on environmental management systems, is perhaps the document most widely quoted by companies. Among its recommendations is that businesses should produce a publicly available environmental policy, specify targets and conduct regular internal environmental audits.

Many point with some concern to the EC's eco-audit requirements, which most companies still regard suspiciously even after intensive lobbying to dilute their power. When initially proposed in 1990, the eco-audit was to be a mandatory scrutiny of environmental facets of all activities in many industries, which would culminate in publication of the results.

Over time, it has been diluted so that compliance is entirely voluntary, and need not cover all a company's

site. There is still the requirement for external verification of audits, and the corporate fear that the proposals will ultimately become mandatory.

In the meantime, the level of disclosure and reliability of environmental reports remains disappointing. A survey in September by Company Reporting, an Edinburgh-based organisation that monitors the annual accounts of UK companies, concluded that most green information provided is disappointingly thin.

From a sample of 570 companies, only one third disclosed any environmental information.

There are some notable exceptions. Body Shop has probably gone further than any British companies, with a detailed audit. The company has also publicly called for the eco-audit requirement to be made compulsory. Even so, its verification report conducted by Arthur D Little is limited in scope. Most other companies are far less advanced.

RTZ is one company which proudly highlights its environmental achievements with a published statement on green policies. But it sees little prospect of making public the results of internal audits in the short-term. It also questions the ability of external auditors to do better than its own staff, or to be told how often audits should be conducted.

Advisers must be chosen with care, says Bronwen Maddox

## A multi-disciplinary field

pressures vary enormously between industries.

However, it is possible to give a few tips on the main questions to ask when setting up an environmental strategy, whether with outside help or not.

First, how to pick an adviser. Many companies will lack in-house expertise on regulation or "green" technology, or energy efficiency measures, but reaching for outside advice is now straightforward.

Although environmental management is a new discipline, particularly in Europe, it has already spawned a horde of consultants, accountants, lawyers and bankers. UK industry directories alone list more than 2,000 consultants. Many advisers say they have identified environmental management and risk assessment as areas of fast expansion in the 1990s, perhaps compensating them for the shrunken financial and

conveyancing markets.

According to Mr Allan Rickmann, head of the environmental arm of Willis Corroon, the insurance broker, it is essential because of the subject's newness to find out the relevant experience of the company and the directors.

Relevant experience is important - many are just beginning to build up client lists and the learning curve can be frustrating. Their expertise may well have been drawn from one of several categories:

- Skill in helping win local planning permission for new sites or production processes, which often depends on detailed plans for leaving surrounding areas - down to the last species of grass - in good condition.

- Scientific research, sometimes in government departments, which may have equipped them with highly specialised technical skills that

may translate poorly to the wider industrial arena.

- Legal expertise. Many law firms have moved quickly to offer advice on the possible liability that could come with changes in legislation, such as the EC packaging directives, the UK's proposed register of contaminated land, legal requirements for Environmental Impact Assessments, or EC proposals on civil liability for waste.

- Engineering. Information about their previous clients in similar industries, particularly abroad, is important, as techniques change fast, both to comply with rules and to seize commercial opportunities from them. Companies in the US, with around a decade longer exposure to wide-ranging environmental legislation, may have already pinpointed the best techniques.

- Management consultancy. It is important to identify

whether they have the legal or technical skills to solve specific problems, or whether they are more equipped to conduct an overall survey of production.

A large part of environmental management is about assessing risks and minimising them, such as the risk of a tank rupturing, inadequate backup or warning systems that could lead to leaks or uncontrolled emissions. Even if managers think they are complying fully with rules, they need to be alert to outside sentiment - public criticism of a competitor and heightened public scrutiny of the industry, or simply whether a government minister lives nearby.

Many advisers, particularly management consultants, urge a more wide-ranging approach to environmental management than simple compliance with regulation, however. Their mantras have become "thinking proactively" and "commu-

nicating the environmental strategy through all levels of the company".

The arguments are similar to the now-familiar ones on the importance of high quality at every stage of production and distribution. Many of the benefits that companies and consultants say have been achieved from environmental management systems derive from improvements in efficiency and production of less waste, or from improvements to the product.

But it is important to calculate the benefits as well as the cost to the company of investment in environmental techniques. Another principle much favoured by consultants is that "it is cheaper to rethink production processes and reduce the level of emissions rather than to add end-of-pipe filters or scrubbers to clean up" are useful starting points for inquiry but that comparison will be different for every company.

If there is one consolation for the troubled managing director it is that environmental management is likely to become easier even if the penalties for getting it wrong increase.

## Protect the environment - and protect your bottom line

If your business is damaging the environment it will also damage your profits and the asset value of your company.

**First your profits:** These days feelings run high on environmental issues, a company with a bad image will inevitably suffer public displeasure in the form of decreased sales. Also of course, manufacturing processes are now strictly controlled under UK law with fines and even

imprisonment as the penalty for not conforming to the new legislation.

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## ENVIRONMENTAL MANAGEMENT 3

Tighter rules give insurers a headache, writes Richard Lapper

## Unexploded bombs

BRITISH INSURERS are reappraising the potential dangers of claims for environmental pollution in the light of shifts in the legal situation at home and the experience of the US industry, where large chunks of the insurance industry could be brought to the brink of insolvency by multi-billion dollar claims.

But the change may be too little and too late according to critics who suggest pollution claims could be catastrophic for the UK industry.

The exposure of UK insurers to pollution is principally through public liability policies, which cover the policyholder against any damage a third party might suffer because of pollution which results from his actions. Historically insurers have faced very few pollution claims. Philip Bell, liability insurance manager with Sun Alliance, which sells 15 to 20 per cent of public liability policies, says his company receives fewer than 100 a year.

Although Sun Alliance has "a couple of million pound claims in the pipeline" most claims are very much smaller. "The sort of thing that normally happens is that a chimney will belch out dust which will damage cars in an adjacent car park," says Mr Bell.

However, the establishment of a more rigorous regime of pollution control and remediation in the UK is a cause for concern. In the past two years a raft of new legislation has

**Public liability policies cover holders against damage caused by their actions to third parties**

radically redefined the liabilities faced by operators and owners of polluted sites.

The 1990 Environmental Protection Act and 1991 Water Resources Act establish a legal framework in which the occupiers of a site are liable for the cost of clean-up irrespective of

fault. Under this legislation bankers foreclosing on a loan to a property company could become liable for the cost of cleaning up contamination.

In a recent case Leeds City Council ordered more than 600 householders to pay the £5m bill needed to clean up asbestos contamination from their houses, even though this had been caused by an asbestos factory which closed in 1988. Moves by the European Community are expected to reinforce this trend towards strict liability.

UK government plans to make more information about pollution available to the public through the register of contaminated land could also trigger court actions. The value of land identified as contaminated

on the register is likely to fall. Mr Brian Street, a specialist with ECS Underwriting in London, says the new law will "greatly increase the power of pressure groups to bring civil proceedings. It will cause all hell to let loose."

In the face of these threats British insurers moved to restrict coverage last April. After advice from the Association of British Insurers, most companies changed the wordings of public liability policies to exclude coverage for gradual pollution. The new policies restrict coverage to "a sudden, identifiable, unintended and unexpected incident which takes place in its entirety at a specific time and place during the period of insurance".

Even so, insurers are still liable for claims made on policies written in the past. Most policies were written on what insurers call an "occurrence" wording in which the relevant policy for a claim is the one which covers the year when the event occurred. US courts have also ruled that policyholders can claim on all their insurance policies stretching back to the original point at which pollution is deemed to have begun. Much of the multi-billion bill for US pollution clean-up, therefore, could ultimately fall on insurance companies who sold policies in the 1940s, 1950s and 1960s.

Mr Randolph Fields, a lawyer who has developed a thriving business in researching insurance coverages, is confident he can locate the coverage

for claims made on policies written in the past. Most policies were written on what insurers call an "occurrence" wording in which the relevant policy for a claim is the one which covers the year when the event occurred. US courts have also ruled that policyholders can claim on all their insurance policies stretching back to the original point at which pollution is deemed to have begun. Much of the multi-billion bill for US pollution clean-up, therefore, could ultimately fall on insurance companies who sold policies in the 1940s, 1950s and 1960s.

Mr Randolph Fields, a lawyer who has developed a thriving business in researching insurance coverages, is confident he can locate the coverage

age. Recalling that the UK industry underwrote unrestricted pollution liability coverage in "carte blanche" fashion between 1930 and 1990, he warned of liabilities of "catastrophic proportions".

British insurers tend to minimise the problem. In a memo to its members sent on October 13, the liability and accident committee of the Association of British Insurers, the industry's trade association, described Mr Fields' arguments as "somewhat alarmist".

"The ABI said it could 'prove difficult' for the policyholder to provide proof that insurance was in force at the particular time the incident was alleged to have taken place.

"Neither insurers nor policyholders might have kept docu-

mentation for the full period in question," added the ABI.

Another worrying possibility is that British courts might begin to interpret the wordings of public liability policies in a broader way than insurers originally intended. In the US, for example, most legal opinions have ruled that clean-ups ordered by the Environmental Protection Agency under the so-called Superfund legislation constitute insured damages under the terms of comprehensive general liability policies.

**Leeds householders had to pay £5m for damage caused by an asbestos plant shut in 1983**

Insurers can be presented with cost of environmental clean-up. "I can't see a UK court going out of its way to interpret the policies totally against the written word," says Mr Philip Bell, liability manager of Sun Alliance. Mr Bell dismisses the

possibility that UK courts may interpret the wordings of public liability policies so that they cover the cost of ordered clean-up of contaminated sites from public liability policies.

Certainly insurers who now offer pollution cover are taking no chances. A handful of insurers, including American International Group, Zurich Insurance, the Chemical Industries Association and ECS Underwriting, offer insurance against the risk of gradual pollution. ECS last month introduced a policy to include the recovery of costs for the clean-up of an operator's own site.

Underwriting is highly selective. Claims must be made within the period of the policy. But all the companies make the policies dependent on the implementation of an environmental audit of the site to be insured. Subsequently policyholders are obliged to maintain a rigorous system of risk control and prevention.

THE peoples of the European Community emptied 50m tonnes of rubbish into their dustbins last year. Although this represents a mere fraction of the waste created by industry, the public is far more aware of it because it is on the doorstep.

Over the past few years politicians have responded to the clamours of the increasingly vocal environmental lobby by introducing laws to limit the amount of waste produced, or at least encourage its re-use and recycling.

But the problem all legislators face is a simple one: what gets thrown away is not worth very much. If it were otherwise it would be unlikely to be thrown away in the first place.

In order to reduce the amount of domestic waste governments are therefore faced with a choice. Either they mandate industrial companies and local authorities to collect and re-use the material; or they rely on tweaking market mechanisms to increase the inherent value of waste and thereby stimulate its re-use. This could be done, for example, by raising the cost of landfill sites to encourage more recycling or imposing duties or levies on packages.

The problems created by these two approaches are common to all debates about the virtues of economic regulation versus free-market liberalism.

John Thornhill studies Europe's waste mountain

## Dilemmas of the overloaded dustbin

The first approach - most aggressively pursued in Germany through the introduction of its *Duales System Deutschland* (DSD) - has led to industry collecting a vast mountain of waste without having the capacity to reprocess it. This has created an environmental perversion whereby large quantities of waste have been expensively collected and exported - either being dumped in other countries' landfill sites or seeping on to foreign markets at zero cost destroying the fragile economics of indigenous recycling schemes.

The supporters of the DSD argue that such distortions are only likely to be a temporary phenomenon. If a steady source of supply is created demand will inevitably follow, they argue. In some areas the effects of this argument are bearing fruit: four giant paper mills are already under construction in Germany to soak up the glut of waste paper.

But the DSD's critics argue that such approaches are only likely to lead to a "second Common Agricultural Policy". Production will be stimulated while demand is ignored at enormous economic - and environmental - cost to Europe's consumers.

Yet the obstacles created when waste management is left entirely to the free market can prove insurmountable and can be illustrated by the difficulties faced by the polystyrene food packaging recycling plant officially opened in July by Linpac, the UK plastics group.

Mr David Eggleston, Linpac's environmental manager, says such plants are vital if the UK is to increase its rate of recycling but their existence is crucially dependent on the government introducing market-based incentives. The plant, which has the capacity to recycle 2,000 to 2,500 tonnes of waste a year, is testing the technical and commercial viability of

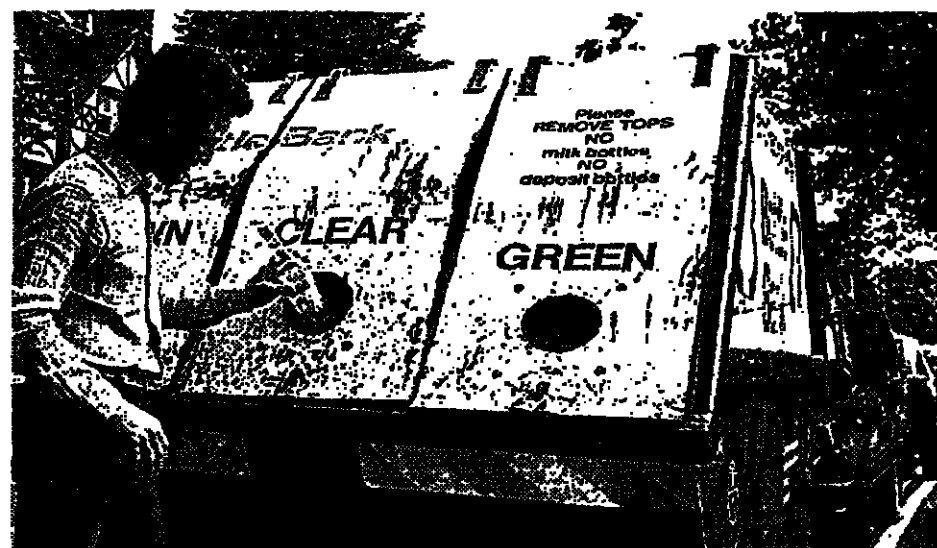
recycling plastic containers but in the existing market conditions it is uneconomic.

"The government 'must' encourage the consumption of recycled materials of all kinds at prices which make recycling economically viable," he says.

The UK government has hesitated in introducing sweeping environmental initiatives, waiting for the European Commission to finalise the details of its directive on the avoidance of packaging waste.

This summer, the EC published its far-reaching proposals aimed at harmonising environmental laws across the Continent. However, it is likely that it will take another two years before its modified principles become enshrined in national laws.

Its hierarchy of preferred solutions is: minimisation of the packaging used in particular products, followed by recovery and recycling, with final disposal in landfill sites remaining as a last resort.



A bottle bank in the London borough of Brent: recycling of used packaging is now a political issue

The directive sets a stiff target that within 10 years of implementation 90 per cent of all packaging waste by weight should be removed before it reaches the waste stream with 60 per cent of each packaging material being recycled.

It expects that within five years of implementation the member states will have set up appropriate systems to collect packaging waste from the consumer, enabling them to ensure that it is effectively re-used or "recovered". Perhaps inevitably, the direc-

tive has come under fire both from industry, which argues that some of its provisions are too onerous, and environmentalists, who argue that they are too lax.

Suggestions for limiting the average amount of waste produced by each person in the EC which appeared in early drafts of the directive were dropped by the time the final version was published - much to the chagrin of groups such as Greenpeace.

The environmental group argues that the prevention pri-

orities have effectively been "lobbied away" by industry with disposal becoming the main focus of legislative activity. "The net result today is that the waste management hierarchy has been turned upside down," it says.

But at the heart of the debate on packaging waste is a fundamental and irreconcilable difference between the industry and environmental campaigners. Companies want to sell more packaging; environmentalists want them to sell less.

In a free market economy, packaging companies cannot be expected voluntarily to contribute to a lessening of demand for the products on which their prosperity depends. Conversely, however, they clearly appreciate both the economic and environmental sense of reducing the amount of material they use to the minimum.

The clearest instance of this conflict is apparent in discussions concerning refillable containers. For many years, environmental campaigning groups, such as Friends of the Earth, have campaigned to promote the use of packages which can be re-used and refilled.

But although many of these schemes make clear sense in an ideal world, industry argues that they often do not conform to contradictory consumer desires in the real one. So, for example, although many shoppers profess to care about the environment, they are unlikely to appreciate queuing in a busy supermarket to refill milk bottles from a "steel cow" dispenser - even assuming high standards of hygiene could be guaranteed.

Ultimately it will be the shopper who will decide environmental priorities by assessing the relative attractions and costs of particular forms of packaging when buying a product.

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## ENVIRONMENTAL MANAGEMENT 4

THE CHEMICALS industry is not loved. Spectacular accidents and continuing attacks by environmentalists have knocked the sector's reputation. If the industry fails to respond to environmental pressure, both in performance and public relations, it risks being legislated to extinction, at least in populated areas of the developed world.

"The chemical industry is blamed for most of the world's environmental difficulties. It has most to gain and farthest to go," says Mr David Buzzelli, corporate director for environment, health, and safety at Dow Chemical.

Chemical companies have some real environmental problems and some problems of public perception, argues Mr Michael Eckstut at management consultants, Booz-Allen. The problem is that the perception is reality. The industry must recognise both, he says.

The industry certainly has an image problem. Unfavourable opinions in the US about the chemicals sector increased between 1980 and 1990 from 40 per cent to 58 per cent, according to Mr Roger Hiri, president and chief executive officer of the Occidental Chemical Corporation. Meanwhile, favourable opinions slumped from 30 per cent to 14 per cent.

Mr Hiri told the International Council of Chemical Associations' conference this year. "We have many of the most energy-efficient, highest technology and environmentally sound facilities in the world. But we ignored the shift taking place in what people were thinking about the industry. We failed to see ourselves through the eyes of the public."

The image of the industry is important because it affects its freedom to operate. Companies

are concerned that environmental legislation - not always necessarily justified - may threaten companies' ability to compete.

"Failure to improve both performance and image will be very expensive," says Mr Buzzelli at Dow Chemical. "Planning approvals for investment will be refused, making sites uneconomic so the companies themselves close the factories. Plants will be driven further from employees and markets, adding further costs."

The chemicals sector could

**If manufacturers fail to meet the requirements, they could be legislated to extinction**

follow the nuclear industry and be legislated to the point of economic unviability, warns Mr Ernie Deavenport, president of Eastman Chemical Company.

Already, the three chemicals giants, BASF, Bayer and Hoechst, are warning that the cost of domestic environmental legislation threatens to cripple the German industry by reducing competitiveness.

The chemical industry has recognised it cannot improve its environmental image until companies have improved their environmental performance. It is trying to clean up its act. In 1988, the US Chemical Manufacturers' Association set up a programme in the US called responsible care. The initiative, originally invented by the Canadian industry, now involves 175 US companies.

Responsible care calls for chemical companies to "demonstrate their commitment to improvement of all aspects of their performance which



Abandoned containers at a Welsh chemicals plant - the industry is blamed for most of the world's environmental difficulties

**Chemicals must fight to clear their name, says Paul Abrahams**

## Clouds of suspicion

relates to health, safety and the environment."

"We've moved from a period of denial to a period of dialogue. The next stage is to deliver on our promises," says Mr Hiri.

"This is not a public relations programme, a PR solution to a PR problem. Responsible care is nothing less than a cultural revolution for the way we are going to do things in

our industry." Companies, many for the first time, are now trying to measure their emissions' effect on air, land and water. German companies have been doing this for some time, but British and French groups are now joining in.

Chris Hampson, executive director at ICI with responsibility for the environment, says the need for measurement is vital, so that improvement can

actually be demonstrated.

This year, Imperial Chemicals Industries, BP Chemicals and Rhône-Poulenc all published their emissions for the first time. The formats were not always similar, and there were omissions in parts of the data, but it was a brave step in the right direction.

The groups have also publicly set targets for themselves. ICI plans to reduce its wastes

by 50 per cent by 1995. Rhône-

Poulenc has promised to halve its effluent and solid wastes by 1995 and cut them by 65 per cent by the year 2000. BP Chemicals has promised to slash hydrocarbon air emissions by half and water emissions by two-thirds by 1997. And Dow Chemical in Europe has promised to reduce the emissions of 56 compounds to air and water between 1988 and

1995. Mr Buzzelli at Dow Chemical says such promises are important to avoid government legislation creating time-consuming and expensive regulations that may not be as effective as voluntary measures.

The cultural revolution implied by responsible care comes both from the top of organisations as well as from employees who share the concerns of the general public. Many chemical companies now have board members responsible for health, safety and the environment.

**Since 1973, BASF has eliminated 95 per cent of its effluent in the River Rhine**

However, in spite of the rhetoric, implementation is not always easy. Mr Mike LaGriff, BP Chemicals' manager for health, safety and the environment, explains:

"Not everyone in this company is in favour of reducing emissions. There are manufacturing guys who prefer to keep costs low. They still exist. Bob Horton, our previous chairman, said 25 per cent of employees did not believe what we were saying about the environment. But we are working on them with internal and external pressures."

Much has already been achieved by the industry. BASF of Germany, for example, claims it has reduced its effluent load into the Rhine by 95 per cent since 1973. Air emissions are down between 80 and 85 per cent during the same period.

But can the industry afford to continue to invest, particularly during a recession when all chemicals groups' earnings

are suffering? Improvements do not come cheap. BASF spent D-Mark 500m between 1988 and 1992 on capital projects to reduce pollution, according to Dr Wolfgang Jentsch, BASF deputy chairman.

The group plans to spend D-Mark 900m between 1993 and 1994 on environmental capital projects, while between 1992 and 1996 it will spend as much as D-Mark 1.6bn.

Mr Eckstut at Booz-Allen says companies are recognising that waste management is an opportunity to reduce costs. By reducing waste production in the first place, yield can be improved and disposal costs reduced.

However, the industry is beginning to flinch from the costs of environmentalism. It proves relatively inexpensive to reduce 80 per cent of emissions, says Mr Eckstut. But it can cost substantial sums to reduce the last 10-15 per cent.

Many companies are already spending 20 to 30 per cent of their capital expenditure on environmental measures.

That, he says, is hard to swallow, especially when capital spending is being slashed. The operating costs of environmental equipment are also high.

"We are swallowing hard right now. Times are tough but we are staying with it," says Mr Buzzelli at Dow Chemical.

"We are on track because by not doing it we put our business in peril."

Although the burden of environmental improvement is expensive, the cost of not investing is even more so. The cost of not communicating the improvement effectively could prove terminal. The future success of the industry is dependent upon its credibility with the public.



Foil collected at one of 29 disposal points in Cambridge, England, by the Castle Project charity is sold to the industry for £350 a tonne

**Kenneth Gooding on an industry where recycling strengthens the bottom line**

## Look for a silver lining

A CREEPY-LOOKING dog examines the bone someone has placed on a fragment of aluminum foil. Our pooch picks up the bone, drops it into a bowl conveniently placed alongside and then sets off with foil in mouth, leaping over household obstacles such as vacuum cleaners and outstretched human legs on its way to the kitchen sink. One paw starts the tap running to clean a trace of blood off the foil and then the dog is off to a garbage container. It drops the foil into the bin which also contains empty aluminum drinks cans.

You've guessed. This is a television commercial. It is the most successful ever run by Reynolds Metals, the biggest producer of aluminum foil in the US.

The message is entertaining but clear. It says the aluminum industry wants its foil back, as long as it is clean; the industry will take back foil for recycling with aluminum cans and pay for the privilege.

Mr Jeremiah Sheehan, Reynolds' executive vice president,

admits that it is not as commercially necessary for the industry to recycle foil as beverage cans - in the US only 200m lbs of aluminum is used annually for consumer foil, plus a similar quantity for

food and other containers, compared with 4bn lbs used for cans. "But recycling helps to identify foil as a 'green' product," he points out. It gives foil an edge over competitive products such as plastics.

Reynolds began by testing foil recycling in 1991 in five US cities: Richmond, its home town in Virginia; Baltimore; Tampa; San Francisco; and Seattle. Already one in 10 households in these test areas is recycling foil regularly.

The campaign has been extended this year to cover half the US and in 1993 about 70 per cent of the States will be covered. And, following the industry dictum that it's best to catch recyclers young, Reynolds has had 2,100 schools competing to build the biggest ball of foil in a "Great Balls of Foil" competition for cash prizes.

Last year Reynolds paid recyclers \$128m for about 240,000 tonnes of consumer-generated aluminum (mostly cans). Mr Sheehan says Reynolds' campaign "already has lifted both the foil market and Reynolds' sales."

Across the Atlantic in the UK a similar campaign is about to be mounted. In the UK nearly 40 per cent of aluminum used in packaging (including beverage cans) goes into foil and about 50,000 tonnes of aluminum foil packaging, worth roughly £15m, is thrown away every year.

To recapture at least some of this, an Aluminum Foil Recycling Campaign (AFRC) has been started by foil converters Alcan Ekco Packaging, Bowater Foil and Paper Products and William Garfield, all members of the Aluminum Foil Container Manufacturers Association, with British Alcan Consumer Products.

They plan to establish the first 50 local authority aluminum foil recycling schemes in 1993. AFRC says that, although foil is as recyclable as aluminum drinks cans, it has different re-melt requirements and needs a different recovery infrastructure. So five pilot

schemes are being tested - in Cambridge, Coventry, Leeds, Sheffield and Perth - which will demonstrate to local authorities how foil collection can fit into the different types of recycling schemes commonly run in the UK.

The aim, wherever possible, is to retain the charity benefit tradition of saving clean aluminum foil but to integrate this with efficient recycling practices by joining local authority schemes. Three of the pilot schemes have charities employing foil "banks" on local authority and supermarket sites, in return for ownership of the foil. Foil is sorted and loosely compacted by the charities and then collected by an existing secondary (scrap) aluminum industry transport system, led by Cookson Aluminum, to be re-melted. The price for foil in this system is currently \$350 a tonne.

There is, of course, more to this campaign for the industry than a willingness to contribute to charity. The aluminum foil packaging producers have in mind various pieces of legislation which threaten to have a tremendous impact on the packaging market. For example, the 1990 UK Environment Protection Act required all local authorities to produce recycling plans by August this year saying how they would meet the target of 50 per cent recovery of recyclable materials from the waste stream by the year 2,000.

Meanwhile, the European Community, judging by its draft directive on packaging waste, seems likely to set a 60 per cent target for the recovery and handling of all used packaging materials - and the responsibility for achieving this level falls largely on the producer industries.

Apartment helping the pro-

ducers promote the image of aluminum as a "green" metal, recycled aluminum of any kind provides the industry with cheap raw material. Manufacturing new aluminum takes a great deal of energy - an average-sized, modern primary aluminum smelter consumes as much electricity as a town of 500,000 people - but the metal "stores" that energy. It can take 5 per cent of the original energy to make used aluminum as good as new.

Estimates vary but the industry probably turned 5m tonnes of scrap back into useable aluminum last year. That compares with production of new material totalling about 15m tonnes. Growth in demand for scrap or secondary metal is growing at 5.5 per cent a year or nearly twice the rate for primary metal.

Already as much as 70 per cent of the aluminum used in electrical engineering, building and transport is re-used. Aluminum automotive castings are almost entirely made from scrap metal.

The industry is working hard to get back as many aluminum beverage cans as possible for recycling - more than 63 per cent of cans are recycled in the US while the European average has moved up to 21 per cent and the European industry has set a target of recycling half of all beverage cans by the mid-1990s.

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### INSIDE

#### Hyundai looks to Europe for exports

Europe could this year emerge as the biggest foreign market for Hyundai Motor, South Korea's largest carmaker, as sales to the US have slumped. In an attempt to revive exports, Hyundai has expanded its European distribution network during the past three years. In 1988 four European countries sold Hyundai cars; this has increased to 25. Page 21

#### Italy ponders over aluminium

The long-term future of Alumin, the Italian aluminium producer which is part of the Elfim state holding company, put into voluntary liquidation in July, is unclear and many industrialists question why Italy, lacking reserves of bauxite, ever created an aluminium business. Page 28

#### Paradox of potato profits

The UK potato crop this year is one of the biggest ever with total potential yield estimated at about 7m tonnes. But the perceived surplus means some farmers expect to make a loss this year. Page 28

#### Spreading faith in Citicorp

Dr Onno Ruding, the former Dutch finance minister and now vice-chairman of Citicorp, is keen to put the problems of the biggest bank in the US in perspective by pointing out that European operations are resilient. Page 23

#### Milan focuses on banks

The Milan bourse focused on privatisation stocks yesterday, especially state-controlled banks, bolstered by yesterday's announcement by IRI that it would sell its entire 67 per cent stake in Credito through an international competition. Credititalia led the gains, as it rose 1.220, or 10 per cent, to L2,430. Back Page

#### Understanding Morgan Crucible

Morgan Crucible is not the best understood company. With 26 acquisitions in the past six years, even diligent investors can be forgiven for losing sight of what exactly Morgan makes. Now it is about to pay \$2.3m to buy assets from Frenchtown Ceramics, which it says will add technology and market position to Morgan's US technical ceramics business. Page 28

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#### Chief price changes yesterday

FRANKFURT (DM)			
BMW	467.5	+	9
Chrysler	524.5	+	16
Daimler-Benz	516	+	12
Deutsche	431	+	18
Mercedes	387	+	11
Porsche	526	+	17
Alura	526	+	17
NEW YORK (\$)			
Alcoa	21 1/4	+	1/2
Aluminum	44 1/2	+	1/2
Bogen	38 1/2	+	1/2
Calumet	38 1/2	+	1/2
Chrysler	47 1/2	+	1/2
IBM	67 1/2	+	1/2
Intel	37 1/2	+	1/2
Microsoft	23 1/2	+	1/2
Oracle	47 1/2	+	1/2
Unisys	47 1/2	+	1/2
London (Pence)			
Alcoa	133	+	8
Aluminum	453	+	15
Bogen	33	+	3
Calumet	33	+	3
Chrysler	15 1/2	+	1/2
Deutsche	10 1/2	+	1/2
Mercedes	36	+	4
Microsoft	252	+	13
Oracle	116 1/2	+	2
Unisys	140	+	8
Alura	95	+	6 1/2
Alcoa	144	+	14
Aluminum	453	+	15
Bogen	33	+	3
Calumet	33	+	3
Chrysler	45	+	2 1/2
Deutsche	38	+	4
Mercedes	36	+	4
Microsoft	184	+	8
Oracle	22	+	1
Unisys	124 1/2	+	10 1/2
Alura	226	+	11

## More job losses on way at RVI

By William Dawkins in Paris

RENAULT Vehicules Industriels (RVI), the French truckmaker, is expected shortly to announce up to 2,500 job losses, nearly 15 per cent of the workforce, according to a letter from trade unions to the government owner.

RVI is heading for around a FF1bn (\$190m) loss this year, a sharp turnaround from the FF23m net profit it made in 1991, says the letter from the CFE-CGC white collar union, which appeals to the ministers of labour and industry for other solutions to the problem.

The exact size and timing of the job losses, the latest indication of the depth of recession in the world truck industry, will be announced by RVI management in the next few weeks, possibly at the next staff council on November 18.

An RVI official yesterday confirmed that job losses were on the way, in response to a steep decline in orders. French truck sales alone are expected to fall 25 per cent this year, according to the union letter. RVI, which announced just over 1,000 job losses last year, has already introduced temporary lay-offs, averaging seven days per month.

But these are inadequate in the absence of any signs of recovery in sales, said the official. If the latest job losses are confirmed, RVI will have lost 30 per cent of its workforce over the past two years.

This news will be all the more unwelcome to the government, which must vet the plans, at a time when unemployment continues to rise, up 1 per cent to 4.2m in September, or 10.3 per cent of the workforce.

Until recently, the public sector has been able to shed jobs with little union opposition, but feelings have begun to heighten, with the recent announcement of a 24-hour strike by Air France employees against 1,500 job losses at the state airline.

Peugeot, Europe's second largest carmaker, which also includes Citicorp, yesterday announced an underlying 0.6 per cent decline in sales for the first nine months of the year.

Peugeot's published turnover fell by 1.3 per cent to FF116.7bn in the nine months to September, but the underlying fall was smaller after adjusting for the previous year's sales of its cycles business and an engineering unit. Peugeot said it gained market share in Spain, Britain, Germany and Portugal.

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## GPA shelves planned preference issue

GPA Group has shelved its \$350m convertible preference share issue which it planned to complete by the end of the year, writes Roland Rudd.

Nomura International, the Japanese investment house working on the convertible, has told shareholders that GPA's failure to raise \$750m from Alps2 (the securitisation of aircraft leases) means the convertible can no longer go ahead.

One of GPA's biggest shareholders said: "We have been told that the convertible has been aborted. I do not believe the group will try again to persuade shareholders to raise additional finance."

Another investor said: "Shareholders are

not willing to take part in any refinancing of the group while there is a chance that the group could be in breach of its covenants."

Nomura had hoped that 65 per cent of GPA's shareholders would make irrevocable commitments to take about two-thirds of the new shares by Wednesday.

It planned to place the remaining one-third of the shares with new investors over the next week in order to launch the new share issue on November 20.

However, one of GPA's financial advisers said: "The convertible was based on a whole range of business assumptions which are no longer viable." Nomura would find it impossible to go back to share-

holders with the same plan, he added. Nomura has 1.75m GPA shares, most of which it bought at an average of \$20 a share compared with the \$8 conversion price of the shelved convertible.

Although the investment bank is not involved in advising GPA in its talks with its banks, it hopes to continue its relationship with the group.

GPA has written to its investors detailing its current financial situation.

A GPA executive said yesterday the group took heart from its core leasing business which continued to perform well under Mr Phil Bolger, deputy chief executive of GPA leasing.

## Flying into thin air as debt rises

Roland Rudd and Robert Peston on the troubled leasing group

GPA Group's recent failure to raise \$750m from the sale of bonds backed by 18 aircraft leases triggered the current talks with its banks over rescheduling its borrowing arrangements.

The aborted securitisation of aircraft leases has unravelled the financial strategy that the group put together with its shareholders, lenders and aircraft suppliers in the aftermath of its shelved \$800m flotation in June.

Its debt has risen significantly since it issued its prospectus for its failed flotation when it had borrowings of more than \$38m. They have now risen to around \$58m.

While GPA appears able to pay its interest on its debt for the foreseeable future, an analysis of its accounts shows it may face difficulties in paying back principal on the debt from cash flow.

The group reported \$285m in net cash flow from leases - after the deduction of interest - in 1992. In other words, these were the funds generated last year to meet other obligations, such as debt repayment.

GPA's latest accounts say that \$451m comes up for repayment in the current year, which ends on March 31 1993, and that a further \$854m is due in the following year.

It will have difficulty making these payments, unless there is a sharp increase in net cash flow from leases, which the company says is unlikely.

The securitisation of aircraft

leases would, however, have helped in making these debt payments.

It would also have boosted shareholders' confidence and therefore increased the chances of the company raising a further \$350m from a preference share issue. But this issue has now been shelved, and with it the group's hopes of a Luxembourg public listing.

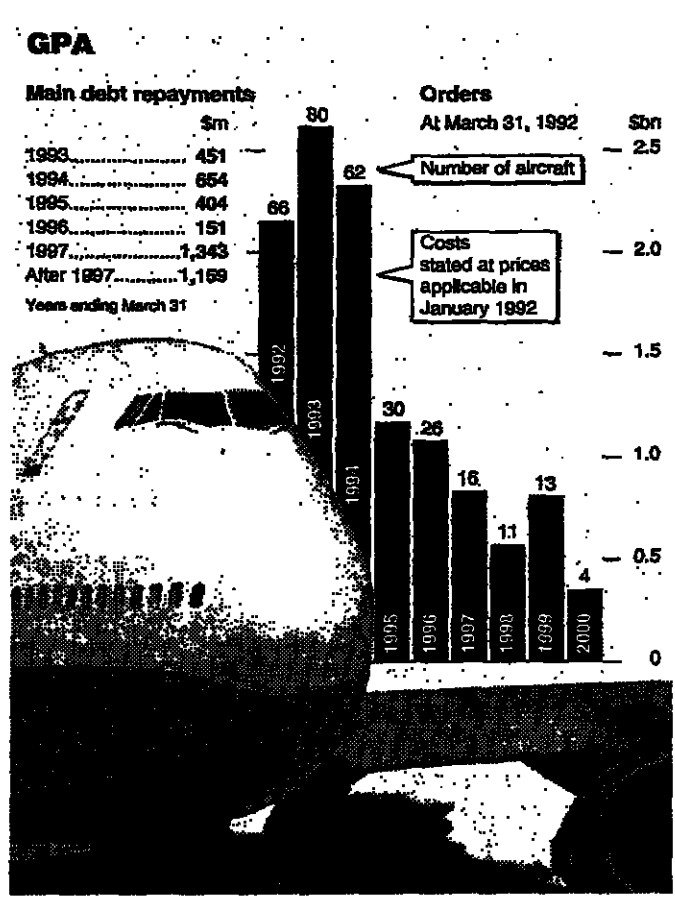
Its lending banks - which include National Westminster, Citicorp of the US and 26 Japanese banks - are aware that in the absence of new liquidity, either from the securitisation of aircraft or from tapping existing shareholders for new funds, the group will need to reschedule some of its debt payments for 1993.

A further problem facing the group is that it has signed contracts with aircraft manufacturers to buy 308 aircraft by the year 2000 at a cost of \$11.5bn and it has the option to buy a further 300 for \$9.1bn.

These orders represent 43 per cent of all orders and options placed by aircraft leasing companies. The Los Angeles-based International Lease Finance Corporation (ILFC), owned since 1990 by the American insurer AIG, is second with 24 per cent.

GPA recently persuaded the manufacturers to defer delivery of \$50m of these aircraft. However, this agreement was conditional on the success of the preference share issue.

That tentative agreement now have to be renegotiated. GPA has paid \$564.1m in pre-



delivery payments, with Boeing holding 37 per cent of the payments, Airbus 29 per cent and McDonnell Douglas 26 per cent. Under the current contracts, GPA is committed to spend \$4.7bn by the end of 1993 on the purchase of 148 aircraft.

A report by the Wall Street firm MJ Whitman, which specialises in debt trading, says that banks may be reluctant to provide the funds to meet these commitments.

The report, called GPA Group PLC: Flying in Thin Air, says: "Barring a radical change in the global aviation market, we believe GPA will have great difficulty placing most of these new planes (on leases with airlines) in advance of the order dates, yet we doubt their lenders will allow access to credit

## US carrier agrees Air Canada's \$450m bid

By Nikid Tait in New York and Robert Gibbons in Montreal

CONTINENTAL Airlines, the fifth largest US carrier which has been operating under Chapter 11 of the US bankruptcy code since late-1990, yesterday accepted a \$450m investment proposal from Air Canada, the larger of the two main Canadian carriers.

The deal is another step in the trend towards global airlines alliances and follows a long bidding process. It will be implemented when Continental's reorganisation comes into effect and the carrier moves out of bankruptcy, probably in early 1993.

The deal promises a welcome cash injection for Continental. Meanwhile, Air Canada has been manoeuvring for 18 months to become an emerging global airline, but has been dogged by a worsening financial performance as the Canadian recession has deepened.

Air Canada, with a Texan investment partnership called Air Partners, plans to invest \$450m. Of this, \$110m will buy common stock in the carrier, shared between the Canadian carrier and the partnership. Air Canada will also buy \$30m of non-voting preferred stock.

Air Canada will also acquire \$150m of debt securities backed by unencumbered assets of the US airline, while Air Partners will buy and then place out \$160m of debt securities secured by assets of Continental Micronesia, a Continental affiliate.

Air Canada will hold 27.5 per cent of the equity in the reorganised airline, and 24 per cent of the voting stock. Air Partners - headed by Mr David Bondman and Mr James Coulter, who have links with the billionaire Texan financier, Mr Robert Bass - will have a similar equity stake but 41 per cent of the votes.

A further 35.6 per cent of the equity will go to Continental's unsecured creditors, in return for forgiving certain claims. The restructured US airline will have 18 board members - six Air Partners appointees, six from Air Canada, three representing the unsecured creditors, two independent and one from management.

The deal requires regulatory approval, but yesterday Air Partners said the bidders had attempted to comply with US caps on foreign ownership of airlines - which stand at 25 per cent of the voting rights and up to 49 per cent of the equity.

## Black pays C\$259m for 23% stake in Southam

By Bernard Simon in Toronto

MR Conrad Black, Canadian proprietor of Britain's Daily Telegraph, has broadened his base in North American publishing by becoming the largest single shareholder in Southam, Canada's biggest newspaper chain.

Hollinger, Mr Black's holding company, has agreed to pay C\$259m (\$208.6m) for the 23 per cent stake in Southam previously held by Torstar, another Canadian publishing group.

Hollinger is prevented by a Southern Ontario law from immediately buying more of Southam's stock. But the deal fits the strategy Mr Black has favoured in the past of gaining control of troubled companies by starting off with a minority stake.

Mr David Radler, Hollinger's president, said yesterday Sou-

tham was an "under-valued asset".

Hollinger owned about 5 per cent of the company in the 1980s, which it sold three years ago at about double the current market price.

"We still valued it as a serious asset, and as an asset we wanted," Mr Radler said.

Hollinger paid C\$18.10 for each of Torstar's 14.3m Southam shares. A Southam official said the remaining shares were widely held, with no single block of more than about 5 per cent.

Mr Radler said the deal - expected to be finalised by the end of the year - would be financed through "normal lines of credit".

Southam owns 18 daily newspapers, with a combined circulation of 1.5m. They include the main English-language papers in Mon-

tréal, Vancouver and Ottawa. Southam also publishes trade magazines and owns a leading Canadian bookstore chain.

A new management team is seeking to bring down costs and focus on the core newspaper business.

Southam posted a C\$186m loss in the first nine months of this year, most of it stemming from a commercial printing division which has since been sold.

Mr Black has been searching for a North American flagship to augment three chains of small, mostly rural newspapers which Hollinger owns. He recently withdrew an offer to buy the bankrupt New York Daily News.

Hollinger also has a stake, through The Telegraph, in Fairfax, Australia's second biggest publishing group, and owns the Jerusalem Post.

## Hanson threatens to sue Costain

By Andrew Taylor in London and William Dawkins in Paris

HANSON, the large Anglo-US conglomerate, last night threatened to sue Costain after the UK construction group announced it was accepting a higher offer for its profitable Australian coal mining business.

Costain said Altus Finance, part of Crédit Lyonnais, the French state-owned bank, had agreed to pay US\$245m for the coal mining business and Costain's remaining Australian commercial property interests.

Costain had agreed to sell only the New South Wales coal-mining operation for US\$200m to Peabody Coal, a Hanson subsidiary.

Mr Peter Costain, chief executive of the British construction group, yesterday denied the company had broken the terms of the agreement with Peabody announced three weeks ago.

He said: "Under the sale agreement we were permitted to consider a subsequent unsolicited offer, if this was considered by our legal advisers to be in the best interest of our shareholders. We can understand Hanson's dis-

appointment but we have a duty to look after our shareholders first."

Hanson claims the Altus offer resulted from talks begun before the Peabody deal was announced. Altus will take over borrowings of \$120m (\$85.7m) making the deal worth more than \$200m (\$150m) to Costain which needs to reduce its large borrowings.

Costain said the offer, after expenses, was worth \$28m more than the offer from Peabody. Part of the increase was due to a better offer for its coal mines.

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## INTERNATIONAL COMPANIES AND FINANCE

# BAA shrugs off recession with 46% rise at halfway

By Paul Betts,  
Aerospace Correspondent,  
in London

BAA, the privatised UK airport group, yesterday shrugged off the recession by reporting a 46 per cent rise in first-half pre-tax profits to £220m (£338m) and a 9 per cent rise in its interim dividend to 6.25p a share.

The performance reflected a 30 per cent rise in productivity, lower property write-downs and restructuring costs, and a recovery in passenger traffic after the Gulf war slump last year.

The productivity improvement followed a 20 per cent cut in the workforce in the past financial year from 10,733 to 8,730.

Exceptional charges covering property write-downs and staff reorganisation fell to £11.5m compared with £54.5m a year ago. Excluding these charges, pre-tax profits rose 12.6 per cent to £232m. Group revenues rose by 5 per cent to £541m.

Although passenger numbers increased 11 per cent in the first half, passenger growth for the year to the end of March



Sir John Egan: figures reflect the continuing recession

1993 was expected to be between 6 per cent and 8 per cent. Sir John Egan, BAA chief executive, said this reflected continuing recession in the UK and other industrialised countries and the fact the Gulf war recovery had been absorbed by the traffic figures.

In spite of the 11 per cent rise in passengers, income from landing fees rose only 3 per cent in the first half to £246m because of tougher regu-

latory pricing imposed last year by the Civil Aviation Authority. But Sir John said BAA managed to cut debt by £78m and for the first time since privatisation it was in a positive cash-flow position.

Traffic at Heathrow, the group's biggest airport, grew nearly 11 per cent largely as a result of increasing numbers of passengers using Heathrow to transfer between flights. Transfer passengers accounted for a third of the growth in passenger numbers during the first half. Sir John said the transfer market had become "the front-line in the competitive battle between Europe's major airports".

Although the group's overall commercial income rose 7 per cent to £165m in the first half, passengers were spending on average about 3 per cent less than last year, largely due to recession, more transfer passengers with less opportunity to shop, and the weakness of the US dollar this summer which deterred US consumers.

However, BAA is continuing to expand its airport retailing activities.

Lex, Page 18; Gatwick revival hopes, Page 24

# Henderson predicts ICI split-up for this year

By Paul Abrahamson  
in Taipei

SIR DENYS Henderson, chairman of Imperial Chemical Industries, the UK chemicals-based group, yesterday confirmed that the organisational split of the group's pharmaceuticals, agrochemicals and specialties businesses into a separate company was on track. He said the new company would be fully formed as a subsidiary of ICI by January 1 next year.

Sir Denys said a final decision to go ahead with the demerger of the group into two separately-quoted companies would be made at February's meeting of the ICI board. The board would look at the financial position of the whole company and forecasts for the group's performance next year.

Sir Denys, speaking in Taiwan, where ICI was opening a \$150m facility, refused to comment on whether ICI would maintain its full-year dividend.

The board would also consider the state of the stock market to establish whether it would be possible to issue fresh shares in the bio-science company, he said.

Analysts believe most of ICI's liabilities will be given to the bio-science group, freeing the bulk chemicals operations from debt. The bio-science businesses will then issue shares to clear their debt and raise cash for possible acquisitions.

Sir Denys warned that the pharmaceuticals division's operating profits next year would be flat. The division generated trading profits of £536m last year, equivalent to 52 per cent of ICI's total pre-tax profit on 12 per cent of group sales.

Next year agrochemicals would improve on its poor performance during 1992, he added. "There's a lot of money looking for quality stocks," he said. "As a company, the bio-science business should be quite attractive - in fact, that is British under-statement, they should be very attractive."

# Neighbourhood fight in Madrid

Peter Bruce watches a takeover battle in Spain's property sector

A takeover battle for control of a huge residential area of Madrid recently vacated by the US Air Force promises to be one of the fiercest ever in Spain.

The object of the struggle is the property company which owns and is named after the area, El Encinar de los Reyes (Royal Oaks). At stake is a rapid catch-up in property values following an end to more than 30 years of price control.

El Encinar is wedged between two of Madrid's most expensive northern suburbs, Moraleja and El Soto de Moraleja. While well-heeled Spaniards have been paying vastly inflated prices to buy into the two Moralejas, property values in El Encinar have been governed by prices agreed in 1958.

It was then that the US first established military links with the Franco dictatorship. But the US service families have now departed and El Encinar's owners believe that with a little rebuilding and some paint,

the area could be transformed into a boom town.

As the Spanish property market continues to fall into the doldrums, El Encinar and its 866 homes must be the only property in Spain capable of generating more money in the next five years than it has in the past 30.

The Olazábal family, immigrants to Madrid via the Basque country and Mexico, where they made their fortune, bought control of El Encinar in 1962. They now own 35 per cent of the company and have expanded into other ventures, particularly in Mallorca.

Clearly, the Olazábals have been waiting a long time for their sitting tenants at El Encinar to go in order to raise rents or sell the properties. But instead of buying up the shares that still trade on the stock market before the American families left, they waited just a little too long.

Banco Bilbao Vizcaya (BBV), one of Spain's biggest banks

and the most powerful Basque-run institution in Spain, began buying shares earlier this year. Through its property affiliate, Metrovacesa, it owns almost 25 per cent.

In October, the Olazábals announced they were making a formal bid for 14 per cent of El Encinar at Ptas2,500 (\$22.45) a share. On the face of it, that would give them just 49 per cent of the company but El Encinar owns 3 per cent of itself in treasury stock so they would have effective control.

Last week BBV struck back with plans to launch a counter offer later this month for 75 per cent of El Encinar.

The Olazábals quickly responded with a bid of Ptas2,750, and spoke of their "sense of sorrow" that the Basque bank, and especially the BBV, should so violently try to displace a Basque family from exercising its traditional control.

What is being offered up

here is a graphic display of how many of Spain's old business families still believe business is something done between friends. BBV, which has been living in a tougher world for some years, immediately said it would beat the new Olazábal offer if it exposed unsuccessfully. Last night the family was debating whether to widen the offer to satisfy its angry competitor.

It is probably no coincidence that the Olazábal bid is being guaranteed for Ptas2,450 by the BBV's main rival, Banco Central Hispanamericano (BCH). Even less of a coincidence is that Metrovacesa's biggest property rival is Vallehermoso, which is owned by the BCH.

Vallehermoso may not want to take El Encinar away from the Olazábals but it would be more unhappy if Metrovacesa were to walk away with something quite so successful in a market so depressed. The fight for El Encinar could get ugly.

# Consortium formed to prop up Danish bank

By Hilary Barnes  
in Copenhagen

A CONSORTIUM of eight large banks, including the central bank, formed a consortium at the weekend to guarantee liquidity to Varde Bank, Denmark's tenth ranking bank with assets at the end of 1991 of about Dkr17bn (\$2.8bn).

The bank, which serves the Esbjerg area of west Jutland, experienced a run by depositors at the end of last week despite the fact that local businessmen have promised to subscribe to a share issue as a means of strengthening capital ratios.

This is the first time since 1984 that the Danish central bank and other banks have joined forces to place a safety net under a troubled bank.

# Bleak result at Minolta reflects strategic flaw

By Robert Thomson  
in Tokyo

MINOLTA, the Japanese camera maker, yesterday announced pre-tax losses of ¥4.98bn (\$40m) for the six months ended September, reflecting the vulnerability of leading Japanese companies with a past strategy of high quality but low profitability.

The company's interim statement painted a bleak picture. After reporting taxable losses of ¥2bn in the same period last year, cash reserves have fallen and short-term borrowings have increased, while the value of securities holdings was eroded by the continuing weakness of the Tokyo stock market.

Sales for the first half were down 11.9 per cent to ¥98.5bn,

as Minolta faced intense competition in the domestic camera market and struggled to fulfil its aim of shifting the sales emphasis to office equipment such as copiers and word processors.

Camera sales were down 22 per cent during the period, with export earnings down 26 per cent. A restructuring plan intends to reduce the reliance on export earnings by increasing sales in the home market, but domestic sales were also 13 per cent lower.

Office equipment sales were down by just over 3 per cent, and sales in the domestic market rose only marginally from ¥11.2bn to ¥11.5bn.

The company's cash reserves fell from ¥14.5bn at end March to ¥8.9bn, while inventories rose from ¥49.7bn to ¥57bn over the past year.

# Saab Auto looks to save SKr2bn

By Christopher Brown-Humes  
in Stockholm

SWEDEN'S Saab Automobile said yesterday it would cut 3,000 jobs in a bid to improve productivity and restore profits to its operations. The aim is to achieve cost savings of SKr2bn (\$335m).

The worst-hit facility will be the group's main Trollhättan plant, where 1,650 jobs, or more than 20 per cent of the workforce, will be cut. A further 300 jobs will be shed at the company's Gothenburg and

Södertälje operations. Saab, which is jointly owned by Saab-Scania and General Motors of the US, said it had been forced to take action because of the poor sales outlook and the losses it continued to sustain.

Mr Keith Butler-Wheelhouse, who took over as chief executive in September, said: "We are losing more than one million dollars a day. These actions are necessary to safeguard Saab's future."

The group said it made a loss of SKr1.34bn in the first nine

months, 36 per cent less than the SKr2.11bn deficit in the same 1991 period. But the loss worsened in the third quarter to SKr541m from SKr522m a year ago, and the full year result is expected to be in line with the SKr2.2bn loss sustained last year.

Sales in the first nine months were higher at 66,800 units, compared with 64,700, but the forecast for the full year is unchanged at 87,500. Next year output is expected to total just 80,000 units.

# Ahlstrom to take key role in Enso

By Christopher Brown-Humes  
in Finland

AHLSTROM, the Finnish forest and metals engineering group, is set to become the leading private shareholder in Enso-Gutzeit through a forest-shares deal worth FM926m (\$135m).

Enso, one of Europe's leading forest industry groups, is buying 100,000 hectares of forest in south-eastern

Finland from Ahlstrom. Payment will be in the form of 44m new Enso shares, which equates to 23.5 per cent of the shares in Enso and 10.1 per cent of the votes.

The deal still leaves the Finnish state as the largest shareholder, with 59 per cent of the votes.

Mr Jukka Härmälä, Enso's president, said the transaction would increase the size of the

group's raw material base to more than 450,000 hectares. It would also improve the group's debt/equity ratio, he added.

Enso will issue 6.6m series A restricted shares at FM27 each and 37.4m series B restricted shares at FM20 each to Ahlstrom. The deal is expected to be completed by the end of the year, with the new shares entitled to a dividend from 1993 onwards.

# Fokus Bank to seek injection of state cash

By Karen Fossell in Oslo

FOKUS BANK, Norway's third biggest bank, yesterday reported a sharp decline in nine-month net losses to Nkr405.3m (\$62.7m) from Nkr1.49bn last year, but warned it has been forced to seek a further injection of state capital.

Fokus said its capital adequacy at end-September was 4.5 per cent of risk-weighted assets. It needs the extra capital in order to meet a regulation target of 8 per cent by the end of the year.

Both Den norske Bank and Christiania Bank, the two biggest banks, last week said they had entered discussions with the state-backed bank insurance fund to obtain fresh capital. Last year the three troubled banks fell under the control of the state after experiencing successive losses for a number of years. As a result the state was forced to inject more than Nkr200bn into the Norwegian bank sector.

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**IN THE MATTER OF CENTRAL CAPITAL CORPORATION AND ITS PREDECESSOR COMPANIES,** Including the following companies: CENTRAL CAPITAL MANAGEMENT INC., CENTRAL ASSET MANAGEMENT INC., CENTRAL CAPITAL RESOURCES CORPORATION, CANADIAN GENERAL SECURITIES, LIMITED, CENTRAL CAPITAL HOLDINGS INC., 150083 CANADA INC., TRANSITIONCO LIMITED

**AND IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended**

**NOTICE OF PLAN ADMINISTRATOR'S CALL FOR CLAIMS AND NOTICE OF MEETINGS OF CREDITORS**

By an order of the Honourable Mr. Justice Houlden dated July 9, 1992 (the "July 9th Order") made in the Ontario Court of Justice (General Division) (the "Court"), Central Capital Corporation ("CCC") was authorized and permitted to file a formal Plan of Arrangement or Compromise with its unsecured creditors, pursuant to the provisions of the Companies' Creditors Arrangement Act, CCC filed a Plan of Arrangement with the Court on September 22, 1992. CCC filed an Amended Plan of Arrangement (the "Plan") with the Court on October 27, 1992. Pursuant to the Plan and an order made by the Court on September 22, 1992, Peat Marwick Thorne Inc. was appointed Plan Administrator for the purposes of supervising the calling for and proving of claims by CCC's creditors. Accordingly, the Plan Administrator hereby calls for claims against CCC for purposes of effecting the Plan.

The July 9th Order also provided for the appointment of Peat Marwick Thorne Inc. as Interim Receiver, Manager and Administrator (the "Administrator") of certain assets of CCC for the purpose of effecting the sale of the ("CGL Transaction"), in exchange for a reduction of creditors' claims against CCC, of certain of CCC's assets to The Canadian Insurance Group Limited. In connection with the CGL Transaction, the Administrator, under date of August 14, 1992, called for claims against CCC with a deadline of September 8, 1992 for the submission of such claims. The CGL Transaction closed effective October 1, 1992 and accordingly, the purpose of the Plan is to deal with CCC's residual assets, liabilities and outstanding and issued share capital.

In order to participate in the Plan, a creditor must file with the Plan Administrator a proof of claim in the prescribed form unless the creditor has already filed a proof of claim in response to the Administrator's call for claims dated August 14, 1992. Claims are to be based on CCC's indebtedness to creditor's as of June 15, 1992, the date of a Court-ordered stay of proceedings.

A creditor whose claim is below \$10,000 or who wishes to value its claim at \$10,000 will, assuming such claim is accepted, be entitled to receive a cash payment in lieu of securities. In order to receive such cash payment, a creditor with a claim over \$10,000 must elect to value its claim at \$10,000. A creditor who has already filed a claim with the Administrator in connection with the August 14, 1992 call for claims and did not indicate such election but now wishes to make such election, must file a \$10,000 Election Form with the Plan Administrator.

The deadline for receipt of Proofs of Claim and \$10,000 Election Forms by the Plan Administrator is 5:00 p.m. on November 20, 1992. Meetings of creditors are scheduled to be held in Toronto, Ontario, Canada on November 24, 1992 to consider and vote on the Plan.

Creditors who have not already received, by direct mail, notice of the Plan Administrator's call for claims dated October 28, 1992, along with a copy of the Plan and the prescribed claim forms, should request same by contacting Mr. Nicholas Beaton of the Plan Administrator's office.

**IF YOU HAVE ALREADY FILED A CLAIM WITH THE ADMINISTRATOR, IN CONNECTION WITH THE AUGUST 14, 1992 CALL FOR CLAIMS, YOU ARE NOT REQUIRED TO FILE AGAIN UNLESS YOU NOW WISH TO MAKE THE ELECTION REFERRED TO ABOVE.**

Dated at Toronto, this 10th day of November, 1992.

**PEAT MARWICK THORNE INC.** Court Appointed Plan Administrator of CENTRAL CAPITAL CORPORATION P.O. Box 31, 33rd Floor Commerce Court West Toronto, Ontario, Canada M5L 1B2



## INTERNATIONAL COMPANIES AND FINANCE

## Reliance advances 119% at midway as sales surge

By Stefan Wagstyl  
in New Delhi

RELIANCE Industries, the fast-growing Indian chemicals and textiles conglomerate, yesterday reported a 119 per cent rise in net profits to Rs1,823bn (964m), for the six months to September, from Rs831m a year earlier, due to a sharp increase in sales and a substantial increase in earnings from financial investments.

Reliance, which this year became the first Indian company to raise equity in international markets through the issue of global depositary receipts, reported a 26 per cent advance in sales to Rs13,485bn,

excluding inter-group transactions, from Rs10,650bn. Profits from financial transactions were Rs522m, compared with none in the same period last year. Gross profits were Rs3,097m, an increase of 73 per cent over the previous Rs1,797m.

Reliance expects further growth in profits in the second half of the year, as long as the government presses ahead with the deregulation of the petrochemicals industry. The group said it was suffering from the fact that the government, which is in the middle of economic reform, had cut subsidies on certain chemical feedstocks, thereby raising Reliance's input prices.

But it had not yet liberalised imports of these products - depriving Reliance of access to cheaper imported feedstocks. Also, the Indian industry was suffering from "large-scale dumping" and "severe unfair competition" from foreign chemicals producers who were selling their products in India.

However, Reliance expects the government to act soon on both these problems. The company is raising funds on the Bombay stock market for two subsidiaries which will make plastics in partnership with Itochu, the Japanese trading company.

## Westpac management given year's deadline

By Kevin Brown in Sydney

SENIOR management of Westpac, the troubled Australian bank, was yesterday given a year to solve the bank's problems before facing pressure for changes from institutional shareholders.

Mr Ian Salmon, managing director of the AMP Society, Australia's biggest financial institution, said it had been made clear to Westpac management that the bank's operational performance must be improved quickly.

"They will do it in the course of the next six to 12 months or I guess the board will decide they can't do it and make some alternative arrangements," he said.

The AMP is Westpac's biggest shareholder with just under 15 per cent of the stock and five seats on the board. It has supported the bank's board and senior managers over the past two years in spite of a series of poor results.

Mr Salmon said there was no need for further board changes following the resignations last month of five directors, including Sir Eric Neal, the former chairman.

However, he said the AMP would "have something to say" if Westpac were not moving in the right direction within six months. "We can apply a little bit of leverage. We have a fair shareholding. I think we would get a lot of support," he said.

Westpac shares fell to a low of A\$2.42 on the Australian Stock Exchange after Mr Salmon's comments, but recovered to close at A\$2.50, down one cent on the day. The shares fell 24 cents to a nine-year low of A\$2.51 on Friday, following the announcement of an unexpected A\$115m (US\$85m) tax charge in the US.

The US tax problem followed a failed A\$1.2bn rights issue and a disastrous first half, in which the bank incurred a pre-tax loss of A\$2.2bn after writing off A\$2.65bn against bad debts.

**Aiwa down 52% as consumption stays flat**

By Charles Leadbeater

AIWA, the audio equipment producer affiliated to Sony, has confirmed the flat state of consumer markets in Japan and overseas by reporting a 52 per cent fall in first-half taxable profits to Y1,150bn (98.3m).

Aiwa, which exports about 80 per cent of its production, has been hit particularly by a slowdown in overseas markets. Turnover in the six months to the end of September was 2.5 per cent higher than last year at Y77bn.

## Europe fuels Hyundai's strategy

A US sales slump has forced a shift in focus, reports John Burton.

HYUNDAI Motor, South Korea's largest vehicle manufacturer, is shifting gear in its export strategy. Europe could become the company's biggest foreign market this year, providing new momentum for export growth after sales slumped dramatically in the US.

US sales fuelled Hyundai Motor's rapid growth during the 1980s, with more Americans than South Koreans buying Hyundai cars.

But US demand suddenly weakened in 1989 due to the economic downturn. Production problems at Hyundai's Korean plants, and labour strife, led to a temporary deterioration in quality and growing consumer complaints. Hyundai's exports, which then accounted for almost two-thirds of production, halved to 200,000 vehicles in 1989.

In an attempt to revive exports, Hyundai quickly turned its attention to Europe and has expanded considerably its distribution network there during the past three years.

The number of European countries where Hyundai cars are sold has increased from four in 1988 to 25, with France last month becoming the most recently opened market.

Sales in Europe this year surpassed those in the US for the first time, with 78,571 vehicles sold in Europe during the first nine months against 61,235 cars in the US. Germany, which Hyundai entered only last year, is already its second

largest national market overseas, after the US.

Mr Kim Nae-Myoung, Hyundai Motor's export marketing director, says: "In spite of the recession... we have continued to grow due to our status as a relative newcomer and because our prices are competitive."

The depreciation of the Korean won against the Japanese yen and other leading currencies has helped. But Hyundai is also accepting profit margins in Europe that are even lower than in the highly competitive South Korean market, according to Mr Kim.

Analysts say Hyundai has little choice but to increase exports at almost any price, because it needs to reduce a growing inventory of vehicles.

This reflects slower growth in the domestic market, which now accounts for 55 per cent of Hyundai's sales. The Korean government recently raised vehicle taxes, already among the highest in the world, to curb car ownership and alleviate growing traffic congestion. South Korea is now the world's eighth biggest car market.

The introduction of the car taxes came at an awkward time for Hyundai and other Korean motor manufacturers since they recently expanded production facilities and are launching several new models. Hyundai's annual production capacity is 900,000 vehicles.

Hyundai hopes to increase exports to almost 300,000 cars this year from 229,000 in 1991

as sales more than double in Europe and it develops other markets, including Latin America, south-east Asia and the Middle East.

The strong export growth is predicted to raise Hyundai sales to Won6,500bn (83.1bn) this year from Won5,652bn in 1991. Earnings are also expected to grow to Won55bn from Won54bn a year ago, although this mainly reflects improved productivity in its factories.

Hyundai accounts for almost half of domestic motor vehicle sales and two-thirds of Korean car exports.

It has established a firm foothold in Europe ahead of its main domestic competitors, Kia Motors and Daewoo Motor, owing to its ability to freely market its cars worldwide.

All three Korean motor manufacturers have licensed technology from foreign car companies. But Kia and Daewoo had to accept restrictions on overseas sales in their technology agreements, while Hyundai's Japanese partner Mitsubishi permitted export rights.

Daewoo recently broke its joint venture ties with General Motors of the US in order to pursue overseas sales, while Kia is now planning to set up sales networks in the US and Europe as it independently develops new car models.

Mr Kim believes Hyundai so far does not face much of a protectionist threat in Europe. "We have taken advantage of

the quotas placed on Japanese imports in developing a market. But our sales volume is too small for trade barriers to be directed against us. Our market share is peanuts, less than 1 per cent of the European market."

Hyundai's greatest obstacle in Europe is unfavourable perceptions about the quality of its vehicles, Mr Kim acknowledges.

Hyundai is hoping that its Lantira compact car, launched in mid-1990 after five years of development, will help restore public trust.

The Lantira - known as the Elantra in Korea - is expected this year to replace the Excel as Hyundai's most popular model in both the domestic and foreign markets. Hyundai also exports its Sonata saloon and Scoupe compact, while its luxury car Grandeur is only sold in Korea.

Hyundai's research and development programme is the second biggest in Korea after Samsung Electronics, the country's main semiconductor producer.

Hyundai last year became the first Korean vehicle manufacturer to completely develop a car engine and it plans to equip some of its vehicles with fuel-saving "lean-burn engines" beginning in 1994. The development of key motor components will also enable Hyundai to reduce its dependence on foreign suppliers and cut high royalty payments to them.

## Interest fall hurts Yamanouchi

By Emilio Teraszono in Tokyo

YAMANOUCHI Pharmaceutical, a leading Japanese ethical drug manufacturer, yesterday revealed that non-consolidated pre-tax profits for the first six months to September were hit by a fall in interest income.

Interim taxable profits fell by 4.4 per cent to Y30.24bn (\$247.85m) from Y31.82bn, on a 6.6 per cent growth in sales to Y119.87bn from Y112.42bn. Yamanouchi attributed the sales growth to a rise in demand for Gaster, its anti-ulcer drug.

Operating profits grew 3.1 per cent to Y25.61bn from Y24.85bn, while net profits fell 4.8 per cent to Y15.82bn.

Profits fell because of a Y1.2bn fall in interest income. However, Yamanouchi is to

increase its interim dividend by Y1 a share to Y8.30.

For the full year to March, Yamanouchi expects pre-tax profits to edge up 0.7 per cent to Y61.5bn on an 8.5 per cent rise in sales to Y245bn.

Shionogi, another Japanese pharmaceutical company mainly engaged in antibiotics, reported an 8.1 per cent fall in pre-tax profits for the first six months to Y9.3bn from Y10.11bn, on a 2.6 per cent rise in sales to Y114.04bn. Operating profits rose 22.6 per cent to Y7.44bn from Y6.07bn, while net profits fell 16.3 per cent to Y3.94bn from Y4.71bn.

For the full year to March, Shionogi expects pre-tax profits to fall 5.6 per cent to Y18.3bn on a 3.3 per cent rise in sales to Y238bn.

Tanabe Sanyaku, which mainly makes drugs for cir-

culatory organs, saw a sharp rise in interim profits thanks to increased exports of Hibereser, its cardiac remedy. Pre-tax profits grew 13.2 per cent to Y7.58bn from Y6.68bn, on a 3.7 per cent sales increase to Y109.61bn from Y105.73. Net profits advanced by 7.3 per cent to Y2.32bn from Y2.15bn.

For the full year, Tanabe projects a 5.3 per cent rise in taxable profits to Y13.7bn on a 0.9 per cent rise in sales to Y212bn.

Daiichi Pharmaceutical, another leading Japanese ethical drug producer, was hit by official medicine price cuts, and saw pre-tax profits for the first six months fall 7.4 per cent to Y19.1bn from Y20.63bn on a 7.5 per cent rise in sales to Y101.94bn from Y94.85bn. Net profits fell 7 per cent to Y9.09bn from Y9.78bn.

## Investment downturn hits Omron

By Charles Leadbeater  
in Tokyo

OMRON, a leading Japanese electronic systems manufacturer, yesterday blamed a virtual freeze on investment by Japanese companies for an 80 per cent drop in pre-tax profits for the first half of its financial year.

Omron said the sharp downturn in the Japanese economy over the past six months had created a "drastic situation, with industrial investment grinding to a halt after the boom of the late 1980s."

Omron, which makes factory, traffic and office computer control systems, reported an 80.2 per cent drop in net profits to Y1.28bn (\$10.4m) in the six months to September from Y6.47bn in the same period a year earlier. Turnover fell by 10.8 per cent to Y189.7bn from Y190.4bn.

Omron is suffering from the same pressures that are hitting many Japanese manufacturers. Its heavy investment programme in the late 1980s, when Japanese demand was growing rapidly, has left it carrying high depreciation costs as eco-

nomics growth is slowing. The company said the high burden of fixed costs from its modernisation programme had left its profit margins vulnerable to a fall in turnover.

Sales of its main products - control components and production systems mainly for factories - fell by 11 per cent to Y112bn. Sales of traffic control systems were 26 per cent down at Y4.4bn, while sales of office automation systems dropped by 20.4 per cent to Y11bn.

Omron said it expected to report a 48 per cent drop in full-year net profits to Y7bn.

## Malaysian bank's profits fall 57%

BANK Bumiputera Malaysia (BBMB), the state-owned institution, yesterday reported a 57 per cent fall in pre-tax profits to M\$42.44m (US\$16.97m) for the year to March 31. Reuter reports from Kuala Lumpur.

Total income rose to M\$956.77m from M\$925.36m while net profits fell to M\$23.74m from M\$53.77m.

The bank gave no reasons for the sharp fall in profits but

said that in May 1991 a court ordered it to pay M\$12.7m in damages for breach of agreement in terminating a client's credit facility.

The government has twice rescued BBMB, Malaysia's second largest bank in terms of assets, from collapse. BBMB still faces a lawsuit in the US over the Hong Kong debacle involving the collapse of Carrian Group to which the

bank had been a leading lender.

BBMB's performance compared with record profits by other local banks is a big blow to the government, analysts said.

On Saturday, Mr Anwar Ibrahim, finance minister, announced that Mr Haniffah Hussain, BBMB chairman, and Mr Jaafar Ahmad, executive director, were retiring.

### SAVIO SPA

Savio S.p.A. ("Savio"), based in Pordenone, Italy, with a fully paid-up share capital of Lire 90 billion, entered in the Companies Register in the Tribunal of Pordenone n. 8739, intends to receive and evaluate offers for the acquisition, by a single party, of a controlling shareholding in MATEC S.r.l. MATEC is a new company, currently being constituted which will contain the hosiery machine division of Savio, based in Scandicci (Florence), whose products are sold under the trademark "MATEC".

The Scandicci factory manufactures and sells machines for the production of men's, women's and children's socks and women's hosiery.

In 1991 the Scandicci factory generated a turnover of about Lire 97 billion and currently has a workforce of 460 employees.

Those who are interested in participating in the offering programme must be limited liability companies, with a minimum shareholders' funds of Lire 5 billion. The interested parties are requested to sign a confidentiality agreement and furnish to M&A Società di Mergers & Acquisitions SpA a copy of their annual report and accounts for the last three years, a description of their activities and an indication of the industrial objectives of the potential acquisition. Intermediaries of any kind are required to declare the identity of their principals.

The information on the division and a copy of the offering programme procedures will be available as from 10 November 1992 from:

M&A Società di Mergers & Acquisitions SpA  
(Wholly-owned subsidiary of Swiss Bank Corporation)  
Via Manzoni, 43  
20121 Milan, Italy  
Attn: Giovanni Orlando - Jonathan Gibson -  
Fabio Palumbo  
Tel: (Int) 39-2-29002089 - Fax: (Int) 39-2-6599217.



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### SAVIO SPA

Savio S.p.A. ("Savio"), based in Pordenone, Italy, with a fully paid-up share capital of Lire 90 billion, entered in the Companies Register in the Tribunal of Pordenone n. 8739, intends to receive and evaluate offers for the acquisition, by a single party, of a controlling shareholding in COGNEX S.r.l. COGNEX is a new company, currently being constituted which will contain, in whole or in part, the wool spinning preparation and wool spinning machine division of Savio, based in Imola (Bologna) and Genoa, whose products are sold under the trademarks "COGNEX", "COGNEX-SINT" and "SAN GIORGIO".

The Imola factory manufactures and sells machines for wool spinning preparation, wool and cotton spinning and continuous synthetic yarn production. Some parts of the wool and cotton spinning machines are made in Genoa.

In 1991 the Imola factory generated a turnover of about Lire 104 billion and currently has a workforce of 412 employees. Genoa has a workforce of 153 employees.

Those who are interested in participating in the offering programme must be limited liability companies, with a minimum shareholders' funds of Lire 5 billion. The interested parties are requested to sign a confidentiality agreement and furnish to M&A Società di Mergers & Acquisitions SpA a copy of their annual report and accounts for the last three years, a description of their activities and an indication of the industrial objectives of the potential acquisition. Intermediaries of any kind are required to declare the identity of their principals.

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## INTERNATIONAL COMPANIES AND FINANCE

## Du Pont agrees to sell connectors unit for \$400m

By Alan Friedman  
in New York

DU PONT, the leading US chemicals group that is engaged in a far-ranging restructuring programme, has agreed to sell its electronic connectors division for \$400m to Hicks, Muse & Company, a Dallas-based leveraged buyout specialist.

Du Pont said last May it planned to dispose of the unit, which employs about 3,000 people. The division has annual revenues of about \$450m.

In August Du Pont said it would reorganise its electronics division, which will have annual revenues of about \$600m after the sale of the connectors business is completed. Mr Chad Holliday, president of Du Pont's Asia Pacific operations, will take over responsibility for the electronics division, which includes printed circuit materials and semiconductor materials.

The purchase by Hicks, Muse includes \$25m of senior preferred stock in the acquired company.

Investing with Hicks, Muse is Mills & Partners of St. Louis, a company that also specialises in acquiring industrial businesses. The deal is expected to be closed before the year-end.

The new company will be called Berg Electronics. Mr Norris Tolson, vice-president and general manager of Du Pont's connectors business, will become its president and chief operating officer and will receive an equity stake.

Mr Thomas Hicks, chairman of Hicks, Muse, said the connector business had a consistent record of operating profitability and a strong niche-market position.

The division's 3,000 employees are spread equally among the Americas, Europe and the Asia Pacific region. Du Pont first entered the connector manufacturing sector in 1972.

## Strong sales lift Dillard to \$44m in third period

By Nikki Tait in New York

DILLARD Department Stores, the Arkansas-based retailer, yesterday reported solid progress in the third quarter of 1992, with after-tax profits increasing from \$39m to \$44.4m after tax.

Sales rose from \$954.5m in the same period of 1991, to \$1.16bn, with the number of stores increasing to 220.

The third-quarter performance means the department store group has posted after-tax profits of \$126m for the first nine months of the year, against \$112m in the first three quarters of 1991.

But St. Louis-based May Department Stores plunged into the red in the third quarter, after it took a \$298m extraordinary charge to cover planned store closings and consolidations and several other property-related charges.

This led May to report a \$190m deficit after-tax in the three months, against a \$91m profit in the same period of 1991. Sales were modestly higher at \$2.67bn, against \$2.56bn.

May has made after-tax profits of \$284m in the nine months to end-October, against \$249m in the same period a year ago. May said in the nine-month figures the third quarter one-off charge was offset by a similar non-recurring gain, taken in the second quarter.

EBIT of the Loom has registered with the Securities and Exchange Commission for an offering of 700,000 Class A shares. The shares will be sold by Fruit of the Loom's chairman Mr William Farley and Farley Inc and is part of Farley's bankruptcy reorganisation plan.

## Computer rivals unveil new ranges

Louise Kehoe examines US advances in microprocessor technology

DIGITAL Equipment (DEC), the troubled US minicomputer manufacturer, today opens a critical campaign to regain sales momentum and profitability with the launch of a range of computers based on the controversial "Alpha" technology.

It hopes to leapfrog its principal competitors, including Sun Microsystems and Hewlett-Packard, with a range of seven computers from a \$15,000 workstation to a multi-processor mainframe-class system.

The new Alpha chip - which processes information 64 bits at a time similar to a supercomputer - is likely to make Digital the front runner.

But SUN and Hewlett-Packard are jostling to upstage DEC and one another as they also today unveil powerful computers based upon the new generation of high-performance reduced instruction set computing

(RISC) microprocessor chips of which Alpha is currently the most powerful example.

The price of the products the three companies are launching today range from under \$5,000 to well over \$150,000 and span desktop PCs through to data-centre mainframes.

RISC chips made their commercial debut in the mid-1980s.

Unlike earlier "complex instruction set" microprocessors, they process a limited number of simple instructions very rapidly.

These devices have become the critical component in an industry-wide computer-power battle, challenging the role of conventional microprocessors in the PC market and traditional computer architectures in minicomputers and mainframes.

Computer workstations will be centre stage in today's product launches as Sun, H-P

and Digital battle for a larger share of the \$10bn workstation market, one of the fastest growing sectors of the computer market.

Originally used primarily for engineering and technical applications, workstations are invading the office where they become powerful desktop computers.

H-P, which pioneered the use of RISC microprocessors in mid-range computers, will unveil a new range of workstations that double the speed of its current models.

Digital has to build a base of software applications to take full advantage of the new Alpha design.

Initially, Alpha workstations will be aimed primarily at software developers. By next March, the company predicts there will be "several hundred" applications designed to run on the Alpha computers.

Sun will today unveil what it

claims is "the world's least expensive colour RISC workstation", a desktop computer that will sell in the US for \$4,295 and outperform similarly priced personal computers.

Sun's new Spare Classic also sets a target for Apple Computer's next generation of personal computers based upon IBM's PC Power RISC microprocessor.

Sun will launch its most powerful computer to date - a mainframe-class system for data centre applications that will eventually incorporate up to 20 processor modules working together, and from April, Sun will ship systems with up to eight modules.

H-P aims to maintain its performance advantage over competitors with a range of systems based on a new version of its Risc technology that set processing speed records while maintaining software compatibility with existing models.

## TSD shares suspended on false data claim

By Emiko Terazono in Tokyo

TSD, a Japanese biotechnology and computer software company, triggered a plunge in biotechnology-related stocks on the Tokyo stock market yesterday, following an allegation that it had presented investors with false information concerning clinical tests of its HIV vaccine.

Shares in TSD, which are traded on Tokyo's over-the-counter market, were suspended on Friday by the Japan Securities Dealers Association after reports alleging that TSD was misleading investors.

On the OTC market yesterday, TSD shares did not trade due to the lack of buyers, and closed at an offered price of ¥3,320, down by a daily limit of ¥400 from Thursday's close.

In August last year, TSD announced that clinical tests for its anti-HIV vaccine, co-developed with a professor of Yokohama City University, had begun in a Thai hospital on HIV positive patients.

TSD's stock surged, rising to a high of ¥3,650 in September 1991 from a year's low of ¥730 posted in April.

The rise in TSD's share price prompted a bulk of its convertible bonds worth SF¥45m (\$32.1m), issued in 1990, to be converted into equity.

Mr Tsutomu Matsuzaki, president of TSD, last Friday admitted that the company had yet to start the clinical tests since full approval from the Thai government had not yet been obtained.

However, he denied allegations of giving false information to raise TSD's stock price.

After the market closed yesterday, Mr Matsuzaki announced the Thai Public Health Ministry had approved clinical tests of TSD's vaccine, and the company was waiting for approval by the National Aids Committee.

The Aids theme was sparked by revelations last year that Meiji Milk Products, a dairy producer, had discovered a substance seemingly capable of killing the HIV virus inside the body.

Since then, brokers looking for a theme to drive up the market, embraced shares of companies which announced research for Aids cures.

Mr David Goldstein, who is the head of the clinical trials unit of the Australian National Centre in HIV Epidemiology and Clinical Research, said that clinical tests of Aids cures could take more than three to four years, until effectiveness is proven, while commercialisation of a cure may take even longer.

## Resilient economy helps EVN climb to Sch181m

By Ian Rodger in Vienna

ENERGIE-Versorgung Niederösterreich (EVN), the Austrian electricity and gas utility, reported a 5.9 per cent rise in net profit to Sch181m (\$16.2m) for the year to end-August, thanks mainly to the resilience of the Austrian economy.

EVN, which operates in the province of Lower Austria surrounding Vienna, said revenues rose 6.1 per cent to Sch9.85bn and operating profit gained 13.2 per cent to

Sch877m. Pre-tax profits were Sch712m, up 0.7 per cent.

"Even in these difficult times of global economic slowdown, our company's performance was satisfactory," Mr Rudolf Gruber, chairman, said. The directors have recommended a 5.6 per cent rise in the dividend to Sch19 per share.

Revenues from electricity rose 10.2 per cent to Sch5.7bn but gas revenues eased 3.5 per cent to Sch2.8bn. Demand from gas-fired power stations declined because hydro stations were more productive.

## Wendy Gramm to quit as head of CFTC

By Laurie Morse in Chicago

MRS Wendy Gramm, head of the Commodity Futures Trading Commission (CFTC), the US agency that oversees the burgeoning US futures and options markets, said yesterday she would join the flood of US officials departing Washington with Mr George Bush in January.

Speaking informally to reporters as she left a meeting in Washington, she said she would leave her post as CFTC chairwoman in January and retire from government.

News of her departure, coming less than a week after Mr Bush's defeat at the polls, caught the futures industry

unawares, but is not surprising. A loyal appointee of Mr Bush and wife of a powerful Republican Senator from Texas, Mr Phil Gramm, Mrs Gramm found herself politically mispositioned and philosophically at odds with the incoming administration of Mr Bill Clinton.

Mrs Gramm, while likely to lose her position as chairwoman under Mr Clinton, had the option of continuing on as a CFTC commissioner until April 1993. Her departure will give Mr Clinton the opportunity to appoint three of the agency's five commissioners early in his term.

She was appointed to the post in 1988 after working in

the Budget office of the Reagan White House, and found herself defending her agency and the futures industry from the fall-out from the October 1987 stock market crash.

Nearly her entire tenure at the CFTC was spent defending the agency in a battle with the Securities and Exchange Commission, the US securities watchdog, which was bidding for futures oversight, and with obtaining landmark legislation defining the CFTC's powers.

She successfully shepherded the CFTC reauthorisation bill through Congress in early September. Futures industry officials believe this will complete her legislative mission complete, and means

she would have been ready to leave the CFTC even if Mr Bush had gained a second term.

Mr John Damgard, head of the Futures Industry Association, the Washington-based futures industry lobbying group, said: "Mrs Gramm has been an excellent chairman of the CFTC. She has steadfastly and consistently advocated free and open markets and encouraged competition."

Several names for possible successors have recently visited Washington, including at least two Democratic congressmen and a leading Democratic staffer at the agency.

## Marconi forms sales link with US company

MARCONI Instruments, a member of the UK-based GEC group, has established a strategic alliance with EIP Microwave of the US, a leader in the design and manufacture of microwave measuring equipment, writes Alan Cane.

Marconi will assume responsibility for worldwide sales and support of EIP microwave counters in some 100 countries outside North America from December 1. The alliance will take effect in the UK from April next year.

The deal will broaden Marconi's catalogue of microwave test and measurement equipment and the company is predicting a \$4m increase in annual sales. Marconi already markets integrated microwave test sets, power meters and spectrum analyzers.

## Storage Technology shares tumble on system delay

By Louise Kehoe  
in San Francisco

STORAGE Technology's stock was down sharply yesterday when the company for the third time announced delays in the development of its much-anticipated Iceberg data storage system.


The stock suffered a 30 per cent fall to open at \$22 1/4 on Monday, down from a \$31 1/4 close on Friday. In heavy trading it rallied slightly to \$23 1/4 at midday.

The company said it expected testing of Iceberg to extend into the second half of 1993 and was planning on only "limited" revenue contribution from the product for the year. Originally, Iceberg installations had been expected to begin in the second quarter of 1992.

a great fanfare last January as a technology breakthrough that would provide a fail-safe data storage system for mainframe computers. It is based upon the concept of linking an array of disk drives and duplicating data so that if one drive fails another will take over.

StorageTek said it continued to encounter delays due to the complexity of integrating the software and hardware of the Iceberg system.

However, it is optimistic about the prospects for the system. "Disk arrays are growing in importance at every level of computing," said Mr Ryal Poppa, StorageTek chairman, president and chief executive. "We continue to see Iceberg as defining the best of class and as providing unique capabilities that will prove difficult for others to replicate."



fondo de inversiones de venezuela

## PRIVATIZATION PROCESS

### LA RINCONADA HORSERACING TRACK

#### HORSERACING TRACK OPERATORS AND RELATED BUSINESSES

The Venezuelan Investment Fund (FIV) and the National Horseracing Institute, in accordance with the contents of the trust agreement signed between both parties, on August 27, 1991, hereby announces to national and foreign business groups involved in horseracing and recreational activities the opening of the registry of interested parties in the privatization process of its facilities.

### LA RINCONADA HORSERACING TRACK

La Rinconada Horseracing Track is located in Caracas, at the Complejo La Rinconada, on 518 hectares, approximately, with Softball and Baseball stadiums, Gym, Pool, Bowling, a Museum and the Poliedro de Caracas (an entertainment civic center). La Rinconada has an installed capacity of 12,500 people comfortably seated, distributed in three (3) different grade buildings, which have 303 ticket machines.

La Rinconada has a principal track with a length of 1,800 meters in oval shape, with an average width of 28 meters, with two shoots.

The track is made with a mix of river and canter sand, which requires minimum maintenance. The internal track has a length of 1,707 meters in oval shape, with an average width of 20 meters, and contains a green zone which is equipped with automatic sprinklers.

The Training Center is next to the track. Has 1,800 boxes, distributed in lots of 50 boxes, each one of them containing one room, an office, a pharmacy. There is one Veterinary Center in the Training Center, with a surgery pavilion, and convalescence boxes (12). Paved roads ensure access to the entire Training Center.

Approximately, 24 horse races take place weekly. On average, La Rinconada receives 28,000 fans every week, betting an average of US\$2,700,000.00.

I) Business groups are invited to present written expression of interest by December 12, 1992, at the Presidential Tribune of La Rinconada.

A) Expressions of interest must include the following information:

A.1) In the case of a firm or a consortium: Copy of the By laws or partnership agreement, with its amendments; the company's annual reports and financial statements for the last three (3) years, duly audited by certified public accountants.

A.2) Persons: Name, surname, profession, address, nationality, duly certified personal balance sheet and resume.

II) To be part of the registry, interested parties should comply with the following requirements:

A) Provide evidence of experience over four years and strengths in horseracing activities and/or experience linked to massive gaming systems, from over four years managing such facilities, which are currently operating.


B) Provide evidence of financial strength, with individual or common net worth according to such operation, over US\$10,000,000.00.

C) Certify to have no liabilities with the Republic of Venezuela.

III) The Venezuelan Investment Fund will review all the documentation and credentials received and will announce the results of the prequalification process in due course in the International and local print media. The prequalified business groups will be informed of the necessary procedures to follow and operation of the track conditions to meet in the subsequent Privatization Process.

For additional information, contact the Coordination for Privatization of "Instituto Nacional de Hipodromos", Gerencia de Privatización del Fondo de Inversiones de Venezuela, Esquina de Mijares, Torre Banco Lara, piso 6, Caracas - Venezuela. Telephones: 806.58.99 - 806.59.75 - 806.59.71 - 806.59.05. Fax No. 83.91.69. Telex FVEN 22890 - 26529.

New Issue  
November 10, 1992



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Paris, France

### DM 250,000,000

#### 7 3/4% Deutsche Mark Bearer Bonds of 1992/1997

These Bonds having been sold.  
This announcement appears as a matter of record only.

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CAISSE DES DEPOTS ET CONSIGNATIONS GMBH	CCF-CRT BANK	CSFB-EFFECTENBANK AKTIENGESELLSCHAFT
DEUTSCHE BANK AKTIENGESELLSCHAFT	GENERALE BANK	KREDITBANK INTERNATIONAL GROUP
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WESTDEUTSCHE LANDESBANK GIROZENTRALE		



Citicorp's problems should be put into perspective, vice-chairman Dr Onno Ruding tells **Robert Peston**

"John had and has the full support of the board including the non-executives," he said. "He has also introduced a series of very important and comprehensive measures to correct and remedy a number of shortcomings."

**KANSALLIS-Osake-Pankki**, Finland's largest commercial bank, yesterday indicated it might take further measures to strengthen its capital base when it said it was seeking shareholder authorisation for an equity or equity-related issue, writes Christopher Brown-Humes. This would enable KOP to raise up to **FM743.75m** (\$149.2m), or 20 per cent of its share capital.

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# Accounting board retreats over asset securitising changes

Data supplied by International Securities Market Association,  
Stock Exchange and The Financial Times Limited.



## Betterware leaps to £6.3m in first half

By Jane Fuller

WHILE UK shoppers remain tight-fisted in the high street, Betterware has discovered a way to unlock spending from the home.

The door-to-door distributor of household goods more than doubled pre-tax profits from £2.81m to £5.3m, on turnover of £29.4m, in the 26 weeks to September 12.

Sales in the home shopping division went up £8.3m to £23m, with operating profit showing a sharp improvement to £5.5m.

Mr Andrew Cohen, chief executive, said the group was filling a gap left by the hardware shops that had disappeared over recent years. Although supermarkets offered household goods, the items tended to get lost on their shelves.

Betterware increased its street-by-street penetration, helped by a sophisticated computerised mapping system, as its army of self-employed sales people grew from 7,000 to 9,000.

Mr Cohen, whose family owns 60 per cent of the company, said the average amount each customer spent at a time had increased from £7 to more

than £8, reversing a downward trend from £9 three years ago. He attributed this to a larger catalogue that improved presentation of the 411 products.

With fixed costs kept down - the company only employs 180 people directly and suppliers hold most of the stock - a good proportion of additional turnover filtered down to the bottom line. Economies of scale also assisted as the print run for catalogues rose from 9m to 13m and buying power improved for raw materials.

Its recently acquired French operation, accounting for less than 2 per cent of sales, was expected to move into profit in the second half.

The group nearly doubled net cash to £8.8m during the half-year, with the help of a deferred payment for land. Interest received trebled to £301,000. It plans to invest £8m in a new distribution centre over the next two years.

Betterware's other division, a miscellany of consumer products manufacture and coffee shops, suffered from recession, with operating profit sliding from £302,000 to £140,000 on flat sales of £8.4m.

Earnings per share rose from 1.55p to 4.25p. The interim divi-

dend is increased from 0.34p to 0.5p.

### COMMENT

Betterware's trend-trouncing performance added another 4p to its share price, driving it to a new high of 172p. Its market value has multiplied more than six times in the past two years to £175m. A prospective p/e of 21, on its broker Smith New Court's full-year prognosis of £12.5m, gives the company a well-deserved premium. The momentum built up in the UK market and first fruits from France lie behind a forecast that profits will gain another third next year. Looking ahead, Mr Cohen remains eloquent on the subject of intensifying coverage of the UK, but diminishing returns must set in. Then success in transferring the formula abroad will be crucial and the jury has not even left the court on that one.

With Betterware sporting a Cadbury-esque interim statement, complete with cash flow statement and accountants' review, it is all dressed up to face scrutiny from retail analysts as it graduates from small company status. Potential buyers should wait to see what a fresh set of critics make of it.

## UB takes control of Wiltshire Brewery

By Richard Gourlay

UB Group, India's largest brewer and distiller group, has taken management control of the Wiltshire Brewery which it plans to develop into a significant UK drinks company.

Wiltshire, which brews only about 3,000 barrels a year of beers like Old Grumble and Stonehenge, has paid £6.7m to expand its estate from 40 to 77 pubs after UB's refinancing.

Mr Vijay Malviya, UB chairman, will become executive chairman of Wiltshire and his family will take a 15.5 per cent interest in the group.

"It is a unique opportunity to get into distribution of spirit and beer products in the UK," said Mr Malviya. "UB has long talked about the globalisation of its interests in India."

As part of the deal, Bass, the UK brewery group, takes an 8.6 per cent stake through conversion of £700,000 of debt. It has also extended what Wiltshire calls a favourable new supply agreement.

The new pubs are being financed partly through a £4.7m subscription of new shares, subject to clawback for existing Wiltshire shareholders, and a share placing with Mr Malviya and UB.

Of the acquired pubs, 28 come from a portfolio of foreclosed properties held by Allied Irish Bank Properties while two are being sold by Bank of Ireland Properties.

Bank of Ireland Corporate Finance is advising Wiltshire. UB currently has a limited presence in the UK, distributing Kingfisher lager through a joint venture with Shepherd Neame.

Wiltshire will move its brewing operations from sites in Stourbridge and Tisbury to a new site in a premises leased from UB group near its UK headquarters in Buckingham. Consideration for this lease is being satisfied by 1.8m shares.

Mr Malviya said he plans to increase the tenanted estate to more than 100 pubs within six months.

"When UB started in India it was underfunded, today it has 18; it was one distillery and now it has 28," said Mr Malviya. "The focus is not just distribution, it is the development of a drinks business."

UB is India's seventh largest corporate conglomerate.

**Dana Exploration**  
Dana Exploration reported pre-tax losses of £12.4m (£2.6m) against £289,000 for the year to end-January after provisions of £12.31m (£125,000). Losses per share were 30.37p (1.12p).

## Getting ready for take-off

BAA, the privatised airport group, is expecting to see London's Gatwick airport stage a revival following the recent takeover of Dan-Air, the airport's single biggest operator, by British Airways.

Long regarded as a poor relation to Heathrow, which continues to account for about three quarters of BAA's group profits, Gatwick has suffered during the past two years not only from the recession but from the government's decision to scrap its London air traffic distribution rules, the collapse of Air Europe and now the demise of Dan-Air.

Big international airlines have taken advantage of the removal of London air traffic restrictions to transfer all or a large portion of their operations from Gatwick to Heathrow. The lack of a dense network of connecting flights has made it hard for carriers to operate a profitable scheduled network out of Gatwick. And the lingering recession has inevitably had a dampening effect on the airport's charter business.

But it has been the lack of a strong national carrier underpinning the airport's business which has been at the heart of Gatwick's problems. "The strong commitment of a major carrier at an airport is an incalculable advantage," said BAA.

Even after its takeover of British Caledonian five years ago, BAA continued to adopt a

half-hearted approach to Gatwick, concentrating most of its efforts in developing its profitable operations out of its main Heathrow hub. But BAA has now clearly indicated its intention to develop a new low-cost short-haul airline operation at Gatwick, amalgamating the former Dan-Air scheduled operations it is absorbing with

its own short-haul operations. BAA believes this new short-haul airline subsidiary being set up by BAA will give Gatwick the boost it has been seeking. Sir John Egan, BAA's chief executive said yesterday: "It is clear that over the years scheduled operators have found it difficult to operate viable short-haul networks out of Gat-

wick, but we believe that such short-haul routes are important to the successful development of the whole airport."

"The worldwide marketing strength of BA offers the best chance of fully developing the available runway and terminal capacity at the airport," he added.

BA's takeover of Dan-Air has been fiercely criticised on anti-competitive grounds by other UK independent airlines including Virgin Atlantic, British Midland Airways, Air UK and Britannia. But none have the same marketing muscle required to revive Gatwick, according to BAA and many other airline industry analysts.

Although BA is not taking over Dan-Air's charter business, which is being shut down, and is picking up directly only about 70 per cent of its scheduled operations, BAA expects the merger to boost in the longer term overall traffic at Gatwick. It also believes the new BA operation will ultimately provide greater opportunities at Gatwick for airline passenger transfer business which already accounts for one third of total activity at Heathrow.

BAA expects Dan-Air's charter services to be picked up quickly by other charter operators as was the case with Air Europe after it failed two years ago. The process is not likely to be as swift for the Dan-Air scheduled services which BA is not taking over.

Assets under management to September 30 eased to £7.28bn from £7.35bn at the end of March 1992, reflecting lower investment returns and the loss of two pension fund clients, Mr Edwards said.

However, he said the loss of pension fund clients over the past few years had almost ground to a halt. While investment performance for the first two quarters of 1992 had been below average, investment returns for the third quarter had been sufficient to raise performance above the market median.

Improved investment performance, he added, should enable the firm to resume attracting pension fund clients.

Both Queens Moat, the hotel group which has a 14.5 per cent stake, and Southend Property Holdings which owns 4 per cent, asked Mr Stanley Lever, Harmony managing director, to make a statement on the company's prospects. He refused.

The two companies urged the board to release its interim figures ahead of the November 26 extraordinary meeting requested by the rebels.

Queen's Moat expressed concern that the accounts had been qualified because Barclays, Harmony's bankers, made it a condition of its facilities that Mr Lever remained on the board and that borrowings were cut.

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## Avonmore Foods expands

By Maggie Orry

AVONMORE FOODS, the acquisitive Kilkenny-based dairy and meat products company, is buying two liquid milk businesses in the UK, for a total of £11.4m.

The acquisitions will add 17m gallons a year of liquid milk to Avonmore's sales in the UK, taking it to nearly 50m gallons.

The companies being acquired are Churchfields Dairies, based in Salisbury, Wiltshire, for which Avonmore is paying £6.13m, and Tom Parker Dairies, of Fareham, Hampshire, costing £5.25m. Avonmore plans to integrate the operations with its existing milk business.

The milk is sold both door to door and through supermarkets. Mr Pat O'Neill, group managing director, said the acquisitions would "enhance our presence with major national multiples".

Avonmore is paying £5m cash immediately with the balance due by November next year. Total net assets being acquired are £3.98m.

Churchfields made a pre-tax profit of £510,000 in the nine months to March 31 this year, while Parker made £600,000 in the year to September 30 1991.

## Renold returns to black with £0.8m

By Angus Foster

RENOLD, the chain and gear maker, yesterday reported a return to profit at the interim stage, but said trading conditions remained tough.

Pre-tax profits amounted to £800,000 for the six months to October 3, compared to losses of £1.5m last time.

Mr John Allan, finance director, said the improvement was due to cost and efficiency gains in the last two years. Employees numbers have been cut by about 20 per cent to 2,900, and a capital expenditure programme launched in 1989 is largely complete.

Turnover fell 3 per cent to £53.4m, although Mr Allan said order levels for the year to September had improved.

The chain division was helped by strong automotive and transmission chain sales. Gear products were weak, despite new product launches.

UK orders improved, mainly in the chain division. The company expects volume and margin improvements for UK exports following sterling's fall in value. But Germany continued to weaken.

Trading profits were £1.8m (£400,000 loss). Interest costs were slightly higher at £1m (£900,000) after net borrowings increased £2m to £14.7m, giving gearing of 38 per cent.

Capital expenditure, which fell from £11.6m to £5m last year, was expected to fall further to £3m this year.

Earnings per share were 0.7p (losses of 2.6p).

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for last year
Adam & Harvey	5	Jan 7	5	-	11.5
BAA	0.25	Jan 25	0.75	-	1.0
Bellway	0.5	Jan 4	0.5	-	1.0
BMS	5	Jan 11	2	-	4.7
Henderson Admin	12.5	Jan 11	12.5	-	41
Preston	1.7	Dec 17	1.7	-	5
Regent	2.5	Jan 8	1.5	-	2
Wardle Stores	12	Jan 7	12	-	16

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issues. \*On increased capital. \*USM stock. \*Stock traded under Rule 335 (2).

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S. G. Warburg Securities announces its intention to make an offer to purchase as principal any or all of the principal amount now outstanding of the above issue. Stock purchased pursuant to the offer will be sold to the issuer for cancellation forthwith. The offer is expected to be open from 9.00 a.m. on Wednesday, 11th November, 1992 until 3.00 p.m. on Thursday, 12th November, 1992 (in the case of holders of stock (the "Stockholders") who are members of the Central Gilts Office (the "CGO") or 3.00 p.m. on Thursday, 19th November, 1992 (in the case of all other Stockholders). However, the offer may exceptionally be held open for holders of Stock who are members of the CGO until 3.00 p.m. on Thursday, 19th November, 1992, if, in the opinion of S.G. Warburg Securities, such a period would enable such Stockholders, who would not otherwise be able to take advantage of the offer in a shorter period, to do so. Settlement for Stock held in registered form by Stockholders who are members of CGO will occur on Monday, 16th November, 1992 and settlement in respect of all other Stock will occur on Monday, 23rd November, 1992. The price at which Stock will be purchased will be the price at which the Stock yields a margin of 0.10 per cent. over the yield on United Kingdom 9 per cent. Treasury Stock due 2012 at 3.00 p.m. on each day that acceptances are received.

Information relating to the offer will be displayed each day on Reuters Screen Page WSPD throughout the offer period.

The Issuer has indicated to S.G. Warburg Securities that, following completion of the offer, it will not purchase or enter into arrangements with other parties to purchase any Stock prior to 19th November, 1993. The Issuer reserves the right at any time to withdraw the offer and will give notice of any such decision on Reuters and in the Financial Times.

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(the "Company")

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As a result of the above distribution, the Exercise Price (as defined in the Instrument) has been adjusted pursuant to Clause 3 of the Instrument as set forth below:

Exercise Price before adjustment: Yen 2,031.80  
Exercise Price after adjustment: Yen 1,847.10  
Effective date of adjustment: 1st December, 1992 (Japan time)

Q.P. Corporation  
By: The Sunamitsu Bank, Limited  
as Fiscal Agent

Dated: 10th November, 1992

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## COMPANY NEWS: UK

Second-half plastics recovery and investment benefits improve profits as sales fall

## Wardle Storeys seeks buys on 13% rise

By Peggy Hollinger

WARDLE STOREYS, the cash-rich plastic fabrics and safety equipment company, yesterday labelled 1993 the "year of acquisitions" as it reported a 13 per cent advance in annual pre-tax profits to £9.2m.

Mr Brian Taylor, chief executive, said the company was in talks on several potential purchases, including one in the US where it has only a small presence.

Wardle, which finished the year with net cash of £34m, was aiming to make several smaller purchases in each of its main businesses, as opposed

to a single large one, he said.

The pre-tax advance was struck on sales 2 per cent lower at £76.6m for the 12 months to August 31. Mr Taylor said the increase had been due to a recovery in the plastic fabrics business during the second half, and the efficiency benefits of an ongoing investment programme.

The increase had been achieved in spite of "the bizarre events which surround us", he said. A well-known sceptic when it comes to politicians, Mr Taylor was scathing about the current direction of UK economic policy. "They are a pack of wallies," he said. "Economic policy can best be

described as a series of successive reactions to a series of successive emergencies."

He admitted, however, that the devaluation of sterling was likely to benefit Wardle in the medium term.

Strongest performance came from the safety and survival equipment division, which includes products such as parachutes and life rafts. Operating profits rose by 38 per cent to £3.8m on sales 7 per cent higher at £26m. However, the inflation operation - especially in the UK - was proving disappointing. "That is the only thing which is causing us to exercise a note of caution," Mr Taylor said.

Technical products, including plastic fabrics for use in the automotive and baby buggy markets, increased profits by £100,000 to £2.1m, on a £3.3m drop in sales to £50.8m.

The final dividend is maintained at 12p for a total of 16p (18p). Earnings per share increased by 10 per cent to 25p.

## COMMENT

Whatever one thinks of Brian Taylor's politics - or lack of them - these commendable results have been achieved in a trying environment. The challenge now will be to find an earnings-enhancing acquisition. Mr Taylor's last two significant attempts - hostile

bids for Chamberlain Phipps and Armstrong Equipment - left his reputation as a deal-maker bruised and battered. It would appear the lesson has been learnt, and he is looking at friendlier deals. The possible move into the US looks interesting, given the potential for economic recovery and the company's relatively low exposure there. Forecasts of £10m, with a p/e of about 15, make the shares look fully valued in the short-term but an acquisition could make a world of difference. However, Wardle's exposure to the automotive market makes it a good candidate for recovery in the medium-term.

## Rentokil takes four interests in £10m deal

By Peter Pearce

RENTOKIL, the environmental services and property care group, has made four acquisitions - one in the US and three in the UK - for about £10m.

The biggest purchase is Creative Planting, a tropical plants services company, that supplies plants to offices covering the Washington DC and Maryland area.

The initial consideration is \$10m (£8.5m) with a further \$14m payable depending on profit levels for 1992 and 1993.

In the year to June 1992, Creative Planting returned made profits of \$1.4m on turnover of \$8.7m and should boost turnover of Rentokil's existing US operations to about \$60m.

Mr Clive Thompson, chairman, said the acquisition made Rentokil "by far the major player" in Washington, adding he hopes to "further develop our position" there.

The other three acquisitions are: Argyll Services for £750,000. Part of Rowland Compliance Testing for £150,000 and Wessex Hygiene Services for £110,000.

## Further purchases lift Tomkins' stake in RHM to 22.11%

By Maggie Urry

TOMKINS, the industrial conglomerate offering £330m for Ranks Hovis McDougall in an agreed bid, yesterday bought a further 36.2m shares in the milling, baking and grocery products group, taking its stake to 22.11 per cent.

It also posted its offer document to RHM shareholders.

The document showed that Mr Stanley Metcalfe, RHM chairman, was given a new five year contract in February this year at an annual salary of £247,000. His remuneration was shown in the previous year's accounts at £330,438.

The new contract was agreed at a time when RHM was warning that its profits would fall.

If Tomkins' bid succeeds Mr Metcalfe will stay with the group as a consultant for three months. If the remaining four years of his contract had to be bought out, it could cost Tomkins approaching £1.4m.

Mr Greg Hutchings, chief executive of Tomkins, said no discussions on compensation payments had taken place yet. He said he was busy meeting RHM and Tomkins shareholders explaining the deal. The

reaction he had received was positive, he said.

With a recommendation for Tomkins' offer and a 22 per cent stake built up, the chances of another bidder entering the contest appears unlikely. Observers suggest that Tomkins' bid could win support from holders of over 50 per cent of RHM's shares by the first closing date, set at December 7.

Tomkins must first win approval from its own shareholders, and has called a special meeting on December 4 to discuss the bid and the second instalment of the £330m rights issue Tomkins is making to help finance it.

The share purchases yesterday were mostly at 260p, the value of the cash offer Tomkins is making for RHM, or at 269.54p, which includes the 9.54p dividend RHM shareholders are to receive.

Tomkins has spent over £200m buying 78.65m RHM shares and has almost reached the limit of the share purchases it can make under rules which stop a bidder spending more than the equivalent of a quarter of its own net asset value on buying shares in its target.

## NEWS DIGEST

## Kalon in £2.4m DIY purchase

WHAT A difference a letter makes. Just 11 weeks after failing to take over rival paint-maker Manders for £86m, Kalon has bought the principal assets of the DIY business of Manders for a more affordable £2.4m.

Mander & Son is a Northamptonshire-based maker and distributor of DIY products. Kalon is buying the goodwill and intellectual property rights of the business, its freehold and leasehold properties, which it will sell or sublet, and the plant, machinery and stocks. The business will be relocated to Kalon's factories and its head office in Bailey, West Yorkshire.

Essentially Kalon is buying the Manders name, best-known for its sugar soap products, but also caustic soda, steel wool, polyurethane foams, and household insulation equipment products, as well as a range of decorating sundries.

## Smith &amp; Nephew sells SoloPak

Smith & Nephew has sold SoloPak, which makes pharmaceuticals for the US market, for \$13.5m (£8.7m) to SoloPak Pharmaceuticals, a management buy-in vehicle created by Welsh Carson Anderson & Stowe, the New York investment company.

Smith announced that it had sold the loss-making company to Ivax Corporation for \$19m in March. However, Mr John Robinson, S&N chief executive, said that the deal fell through when Ivax pulled out.

## Cabra delays filing financial statements

Cabra Estates, the heavily indebted property company, is delaying the filing of its financial statements for the year to March 31 1992.

The Registrar of Companies has approved the move as the accounts cannot be finalised because of the negotiations on debt restructuring and the sale of its two London football grounds.

Mr Gordon Young, chairman, told an extraordinary meeting he hoped the talks would end soon and the terms could be put to a further EGM.

Cabra owns the grounds of Fulham and of Chelsea, whose chairman, Mr Ken Bates, owns 29.6 per cent of the company.

## AAH says it has 83% of CMRG

AAH Holdings, the pharmaceuticals wholesaler, announced that as at 3pm on November 6 it had received valid acceptances for 22,068,806 shares - 83 per cent - in respect of its offer for CMRG.

As acceptances exceeded more than 80 per cent of the share capital of CMRG, the offer has been declared unconditional and will remain open until further notice. The par-

tial cash alternative however will close at 3p on Friday November 20.

The Secretary of State for Trade and Industry has decided not to refer the transaction to the Monopolies and Mergers Commission.

## Ross plugs in for electrical growth

Ross Group, the Southampton-based consumer products and technical services company, is

expanding its electrical accessories division with the purchase of Fleetwood Electricals for an undisclosed sum.

Fleetwood is expected to contribute about £2m of sales in its first year of ownership.

## Wagon to proceed with Polypal offer

Wagon Industrial Holdings, the Telford-based engineering group, has formally announced that it is to proceed with its

£32.3m acquisition of Polypal, a Belgian manufacturer of storage equipment.

This follows shareholders' approval at the EGM. Accordingly, the purchase agreement in respect of 62.7 per cent of the fully diluted equity of Polypal has become unconditional. The agreed offer will remain open for acceptance until November 23.

The 1-for-4 £30.8m rights issue, made to finance the acquisition, closes at 3pm tomorrow.

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## COMMODITIES AND AGRICULTURE

# Nickel prices fall Italy appears stuck with aluminium white elephant

It looks as though taxpayers will have to carry on footing the bill for Alumix, writes Haig Simonian

By Kenneth Gooding,  
Mining Correspondent

NICKEL PRICES were hit hardest yesterday by the wave of selling that is driving down prices on the London Metal Exchange. After touching its lowest level for more than five years, the price of nickel for delivery in three months closed last night at \$5.540, down \$127.50 a tonne.

In the past week nickel prices have fallen by \$602.50 a tonne or nearly 10 per cent. Mr. Angus, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, pointed out that cuts planned by nickel producers were "perceived as tardy and insufficient". Total nickel stocks, an estimated 230,000 tonnes, equated to more than 18 weeks' consumption and the outlook for stainless steel (the biggest user of nickel) was poor. "A period of depressed (nickel) prices looks to be in prospect

for the remainder of this year and the first half of 1993," he said.

Copper prices also fell heavily yesterday before recovering slightly when news about renewed political tension in Zaire created some nervousness about supplies from the African copper belt. Three-months copper closed last night at \$1,411.50 a tonne, down \$14.25 in one day and \$24.75 or 4.4 per cent in a week. Recovery in metals prices is not too far away, suggests Mr. Jon Bergthell, analyst at James Capel, in a special report "Metals and Easy Money". He says metal exports from the Commonwealth of Independent States will ease just as western demand is picking up and western producers have cut output substantially. Mr. Bergthell says: "This convergence will begin to take place from the second quarter of 1993. Metal prices will anticipate this and begin to rise from early 1993."

THIS MONTH could see some light shed on the uncertain fate of Alumix, the Italian aluminium producer, part of the Efim state holding company, which was put into voluntary liquidation in July.

The government has set a mid-November deadline for deciding how to deal with Efim's wide-ranging operations. While healthier parts of the group, which has operations ranging from glass to health care, are likely to be sold off, the long-term future of the aluminium subsidiary is much less clear.

Alumix, which lost L420bn (£200bn) on sales of about L1,200bn last year and now has debts of some L1,300bn, is by far the most difficult of Efim's many problems.

Many industrialists question why Italy, lacking reserves of bauxite (aluminium ore) and highly dependent on imported energy, the biggest cost factor in aluminium smelting, ever created an aluminium business in the first place.

The answer is largely political. With the bulk of its smelting activities on the island of Sardinia, Alumix was designed partly to provide jobs, and through them, votes. Its plants are further examples of the tendency to develop large industrial plants in fringe locations on the basis of social policy rather than market forces.

The fear of losing votes and boosting unemployment explains the willingness of successive Italian governments to be relatively patient as the problems of Alumix - and Efim as a whole - steadily mounted. After its liquidation, Efim was found to have debts of about L1,700bn - double previous estimates.

Alumix scraped together meagre net profits of L4bn and L8bn in 1988 and 1989. But in the past two years, its losses have been growing as a result of the collapse in aluminium prices and steeply rising electricity charges. Although many forecasters expect demand for aluminium to increase later this decade, Alumix's problems

look set to worsen in the short term.

On purely economic grounds, many Italians think Alumix should be closed down. But in its latest decree law on winding up Efim, published last month, the government appeared to grant the group yet another reprieve. Noting the social importance of providing labour in the hard-pressed Sardinian economy, where unemployment is high, the government of Mr. Giuliano Amato appeared willing to sanction yet another restructuring plan in the hope of turning Alumix round.

Company officials draw attention to the important steps that have already been taken in slimming down an industry born of the merger between the former private-sector Aluminis activities in Italy, based in Porto Marghera near Venice, and the state-owned Aluminia group in Sardinia.

There has also been some reduction of the work-force, which by March this year had fallen to about 6,500 on a group basis from 7,100 at the end of 1991.

However, Alumix claims many of the measures needed to restore its fortunes depend on the government rather than its management. Redundancy programmes are linked to government-sponsored early retirement schemes, which rely on Rome for financial support. And in spite of ministerial agreement to a L500bn cash boost agreed in 1991, and due

to take effect at the end of that year, the fresh money has never come, the company complains.

But Alumix's biggest grumble - and by far the most controversial aspect of the business - concerns the price of electricity. At L44 per kilowatt hour, Alumix complains its energy costs are far above the European average. In July, the government agreed to slash electricity tariffs for the group's Sardinian smelters by 40 per cent, bringing the cost down to L34 per kWh. "That has helped", says Mr. Chiara Benelli, a company official "but it doesn't cover production at Porto Marghera."

Surprisingly, Mr. Benelli does not expect the price cut to provoke a protest among competitors in the European Community. "It's not a subsidy, but just a reduction of the excessive price rise introduced earlier", she says. Until two years ago, Alumix was paying L28 per kWh.

The government appears to have already granted Alumix a

short-term stay of execution, although this month may still bring further surprises. Given that a sale or public flotation of the group is inconceivable in its present condition, ministers appear willing to provide some resources to help it put its books straight. In the meantime, some fringe activities may be halted.

Alumix says virtually all its operations except the primary smelting business are now in the operating level. So conceivably, a subsidiary like its Comital for flexible packaging business, based in Turin, could be sold off separately.

Yet even one-off sales are limited by the strong vertical integration between many of the group's operations. Laminates, based at Porto Marghera, are dependent on outputs from the adjoining smelting works. So for the time being it looks as though for the Italian taxpayer will have to carry on footing the bill for the country's expensive aluminium business.

## Differences narrowed in cocoa pact negotiations

By Frances Williams in Geneva

COCOA PRODUCERS and consumers have begun to narrow their differences in United Nations-sponsored talks in Geneva on a new international price stabilisation accord.

Both sides have made new offers on the price range to be defended by the accord and the amount of cocoa that could be withheld from the market to keep the price within the specified range.

However, the gap between them remains large. With only four days to go until the end of the two-week third round of talks on Friday, a fourth round looks probable. This has been tentatively scheduled for next February in Geneva.

Early last week cocoa producers lowered their price demand from a mid-price of

SDR1,830 a tonne (\$1,640) to one of SDR1,635 a tonne, with a floor of SDR1,300 and a ceiling of SDR1,950. On Friday, consumers raised their proposed mid-price from SDR1,000 to SDR1,050, within a range of SDR840-1,260 a tonne. March cocoa futures closed in London yesterday at \$745, equivalent to SDR854, a tonne.

Consumers, led by the European Community, have also increased slightly, from 300,000 to 330,000 tonnes, the amount of cocoa they are prepared to see withheld from the market under the proposed scheme for short-term price stabilisation.

Producers have come down from 600,000 to 500,000 tonnes for Mr. Alain Gause, commodities minister of the Ivory Coast, the biggest producer, suggested last week that 450,000 tonnes would be acceptable to producers.

## Major backs banana plea

MR. JOHN MAJOR, the British prime minister, has promised his government's support for continuing access for Caribbean bananas to the European Community following the creation of a single market in January, according to Mr. P.J. Patterson, Jamaica's prime minister.

Mr. Patterson said he had written to several European leaders about the concerns of Caribbean banana exporters,

and the need for continued preferential entry to Europe to protect against more competitive fruit from other areas, mainly Latin America.

"I am happy to reaffirm my government's firm commitment to ensure that new arrangements on bananas fully meet our legal obligations," Mr. Major replied. "Achieving a successful outcome on bananas is a high priority for the UK presidency of the community."

## Weather makes a hash of UK potato forecasts

Rain-soaked fields will almost certainly not produce the crop surplus that had been expected earlier

THE UK potato crop this year is one of the biggest ever. Total potential yield is estimated by the Potato Marketing Board at about 7m tonnes. Weather conditions during the growing season have been ideal and there is hardly a grower in the country who has produced a poor yield.

But I met a specialist potato farmer the other day, a man who grew about 1,400 acres, mainly on other farmers' land, which he rented for the purpose, who admitted that he expected to lose £250,000 on this year's potatoes. Such is the paradox of potatoes. To make a real killing from the crop it is necessary for there to be a shortage. This year there is a perceived surplus.

I use the word perceived because, for various reasons, mostly to do with the wet autumn, the apparent 1m tonne excess of supply over demand will almost certainly not materialise.

Domestic demand for home grown potatoes is normally around 6m tonnes. Lower home sale prices, although these are seldom passed on in full to consumers, could well lead to an increase in consumption to perhaps 6.3m tonnes.

The glut on the market during the main lifting period caused ex-farm prices to col-



By David Richardson

lapse a few weeks ago, triggering the mechanism that allows the Potato Marketing Board to buy limited quantities of potatoes in order to take them off the domestic and processing markets. The price the board has paid - £33 a tonne - leaves no profit for the grower but the objective is to firm the price of the rest of the crop.

The board has in fact intervened in the market twice in recent weeks and well in excess of 500,000 tonnes has been offered to it by growers, not all of which may be accepted. That which is accepted will be sold back to farmers, for a fraction of what the board paid for it, to be used as animal feed. The operation, although modestly underwritten by the Ministry of Agriculture, is mainly funded by growers through a system of levies paid to the board on every acre of potatoes grown.

The greatest uncertainty, however, concerns the very high proportion of the crop that has still not been harvested. A week ago the board estimated that some 31 per cent of the area planted, covering about 1.5m tonnes, was still in the ground.

There have been a few dry days since these figures were issued and doubtless the unharvested acreage will now be a little smaller. After double the normal rainfall in some of the main potato areas over the last three months the problems of lifting in muddy conditions have been immense.

Comparative figures for recent years indicate the extent of this year's delay in potato harvesting. In 1991 at the end of October 7 per cent of the crop was left in the ground; in 1990, just 5 per cent. And the longer the delay lasts into the winter the more difficult it is to lift the crop from increasingly waterlogged soil.

Furthermore it is likely that the cold weather that has accompanied the rain will have damaged a proportion of the unlifted tubers; for once soil temperatures drop below about 8 deg C (46 F), the sugar content in the starch of potatoes rises, making them unsuitable for processing and unlikely to keep well in store through the winter. Also, most potatoes lifted in present soil conditions

have mud stuck to them, which also affects storability by inhibiting under-floor ventilation. This in turn can lead to the development in store of latent diseases, which could make significant tonnages unmarketable for human consumption.

Some potato pundits have, in fact, predicted that national losses as a result of this combination of factors could be between 200,000 and 300,000 tonnes. If they are right, and with most of the questionable potatoes still in the soil they are guessing at present, it is clear that the surplus may be more apparent than real.

So, increased consumption, wastage, and the sizeable tonnage taken off the market may have created a virtual balance between supply and demand. The marketing board presumably thinks so too because last Friday afternoon the latest support buying scheme was closed. Growers now hope that there will be a firmer under-tone to the market and that buyers will be prepared to pay them more than the 2p per lb most have received this season.

Moreover most growers believe that in a year like 1992 the UK's potato marketing board, unique in the EC, will really justify itself. Its statutory powers enable it to control the acreage grown as well as

help to manipulate the market. There is little doubt, in fact, that its activities help bring some stability to a volatile sector and that is valued very highly by the majority of potato farmers.

They are upset, therefore, that, along with the marketing boards for milk and wool, the potato board, or at least its statutory powers, are set to disappear. Indeed enabling Bills to effect the changes are scheduled to be debated in the House of Lords within the next few weeks. It is all part of legislation required to bring about the European Community's single market.

Hostility to the removal of the statutory powers in order to replace them with a so-called "light" community regime is based on the failure of most other EC measures to stabilise commodity prices in an acceptable way in the long term and to the ruthless potato prices suffered by other potato growers in a year like this. In Holland and Belgium, for instance, growers are at present receiving as little as half the price paid in the UK. No European farmer, growers argue, even the ultra efficient ones in the low countries, can survive for long at such prices. UK growers also point to the apparent anomaly of a CAP reform package that seeks to control production by limiting

the cropped area of commodities in surplus and compensating farmers for so doing, while at the same time insisting on the removal of a system that is already achieving such control at a minimal cost to the taxpayer.

Mr. John Gummer, the UK minister of agriculture, does not appear to agree. He told a group of East Anglian potato growers last week that it could not be right to restrict the acreage of potatoes grown in the UK and risk a domestic shortage which would suck in imports from other EC countries.

He claimed that he did not know the details of what Brussels would shortly propose to replace the present system. It is highly unlikely, however, that the imminent proposal will include statutory powers, which are at the heart of present UK arrangements.

If they do not, many UK potato growers fear a volatile future that will drive more of them out of business and suck in more imports in any case. They are fighting a probably futile rear-guard action to try to keep their tried and tested system. For they are well aware that neither they nor UK consumers would gain from a change. The only beneficiaries of a totally free market would be the processors and the supermarkets.

## WORLD COMMODITIES PRICES

### MARKET REPORT

GOLD held under pressure on the London bullion market, but futures were trading at lifetimes lows on Comex at midday. The New York market was depressed by perceptions that inflation had been tamed and a widespread belief that global economies would remain in the doldrums. London dealers said the market had been battered by apparently programmed sales of central bank gold in roughly 50,000 ounces over the past two months and now by panic hedging from producers - even at current low price levels. London COCOA futures hit a

new high in early trading before turning tail to end around 58 a tonne lower in near months after a reasonably busy day. I think the market's a bit bit tired. It's run-up a lot in the last week and it needs a bit of consolidation," one dealer said. By midday New York's arabica COFFEE market had recovered on news that German statistician F.O. Licht expects world production to fall to 93.32m bags in 1992-93, compared with 101.99m bags last year.

### Compiled from Reuters

SUGAR - London F&O (\$ per tonne)	Raw	Close	Previous	High/Low
Dec	198.00	198.00	197.00	192.00
Jan	198.00	198.00	197.00	192.00
Feb	198.00	198.00	197.00	192.00
Mar	198.00	198.00	197.00	192.00
Apr	198.00	198.00	197.00	192.00
May	198.00	198.00	197.00	192.00
Jun	198.00	198.00	197.00	192.00
Jul	198.00	198.00	197.00	192.00
Aug	198.00	198.00	197.00	192.00
Sep	198.00	198.00	197.00	192.00

CRUDE OIL - IPE (\$/barrel)	Dec	Close	Previous	High/Low
Dec	18.50	18.50	18.50	18.11
Jan	18.50	18.50	18.50	18.11
Feb	18.50	18.50	18.50	18.11
Mar	18.50	18.50	18.50	18.11
Apr	18.50	18.50	18.50	18.11
May	18.50	18.50	18.50	18.11
Jun	18.50	18.50	18.50	18.11
Jul	18.50	18.50	18.50	18.11
Aug	18.50	18.50	18.50	18.11
Sep	18.50	18.50	18.50	18.11

GAS OIL - IPE (\$/barrel)	Dec	Close	Previous	High/Low
Dec	17.25	17.25	17.25	17.25
Jan	17.25	17.25	17.25	17.25
Feb	17.25	17.25	17.25	17.25
Mar	17.25	17.25	17.25	17.25
Apr	17.25	17.25	17.25	17.25
May	17.25	17.25	17.25	17.25
Jun	17.25	17.25	17.25	17.25
Jul	17.25	17.25	17.25	17.25
Aug	17.25	17.25	17.25	17.25
Sep	17.25	17.25	17.25	17.25

TEA	Dec	Close	Previous	High/Low
Dec	125.00	125.00	125.00	125.00
Jan	125.00	125.00	125.00	125.00
Feb	125.00	125.00	125.00	125.00
Mar	125.00	125.00	125.00	125.00
Apr	125.00	125.00	125.00	125.00
May	125.00	125.00	125.00	125.00
Jun	125.00	125.00	125.00	125.00
Jul	125.00	125.00	125.00	125.00
Aug	125.00	125.00	125.00	125.00
Sep	125.00	125.00	125.00	125.00

COCOA - London F&O (\$/tonne)	Dec	Close	Previous	High/Low
Dec	718	723	728	714
Jan	718	723	728	714
Feb	718	723	728	714
Mar	718	723	728	714
Apr	718	723	728	714
May	718	723	728	714
Jun	718	723	728	714
Jul	718	723	728	714
Aug	718	723	728	714
Sep	718	723	728	714

COFFEE - London F&O (\$/tonne)	Dec	Close	Previous	High/Low
Dec	880	876	874	885
Jan	880	876	874	885
Feb	880	876	874	885
Mar	880	876	874	885
Apr	880	876	874	885
May	880	876	874	885
Jun	880	876	874	885
Jul	880	876	874	885
Aug	880	876	874	885
Sep	880	876	874	885

POTATOES - London F&O (\$/tonne)	Dec	Close	Previous	High/Low
Dec	88.0	88.5	81.5	80.5
Jan	88.0	88.5	81.5	80.5
Feb	88.0	88.5	81.5	80.5
Mar	88.0	88.5	81.5	80.5
Apr	88.0	88.5	81.5	80.5
May	88.0	88.5	81.5	80.5
Jun	88.0	88.5	81.5	80.5
Jul	88.0	88.5	81.5	80.5
Aug	88.0	88.5	81.5	80.5
Sep	88.0	88.5	81.5	80.5

SOYABEANS - London F&O (\$/tonne)	Dec	Close	Previous	High/Low
Dec	142.00	142.00	142.00	142.00
Jan	142.00	142.00	142.00	142.00
Feb	142.00	142.00	142.00	142.00
Mar	142.00	142.00	142.00	142.00
Apr	142.00	142.00	142.00	142.00
May	142.00	142.00	142.00	142.00
Jun	142.00	142.00	142.00	142.00
Jul	142.00	142.00	142.00	142.00
Aug	142.00	142.00	142.00	142.00
Sep	142.00	142.00	142.00	142.00

WHEAT - London F&O (\$/tonne)	Dec	Close	Previous	High/Low
Dec	129.00	129.00	129.00	129.00
Jan	129.00	129.00	129.00	129.00
Feb	129.00	129.00	129.00	129.00
Mar	129.00	129.00	129.00	129.00
Apr	129.00	129.00	129.00	129.00
May	129.00	129.00	129.00	129.00
Jun	129.00	129.00	129.00	129.00
Jul	129.00	129.00	129.00	129.00
Aug	129.00	129.00	129.00	129.00
Sep	129.00	129.00	129.00	129.00

	Close	Previous	High/Low
Nov	118.5	118.0	118.0
Jan	104.5	104.0	104.0
Feb	104.5	103.5	104.0 103.5
Apr	107.0	105.5	106.5
May	108.0	107.0	107.5 107.5

Turnover: 17 (62) lots of 3,250 kg







## LONDON SHARE SERVICE

## AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dealers move focus to Gatt

THE DOLLAR slipped by more than 1/2 pence against the D-Mark in Europe on profit-taking yesterday, after failing to sustain a break through DM1.60, writes James Blitz.

The US currency rose by more than 5 pence last week, and speculative players appeared to be cashing in on those movements. Yesterday the dollar closed in London at DM1.5885. Later in New York, however, it performed strongly, ending at DM1.6041.

Otherwise, the market's attention was firmly fixed on sterling, which fell to a five-year low against the dollar in late European trading.

Dealers sold the pound in the belief that base rates could be lowered by as much as 2 per cent when the UK chancellor makes his autumn statement this week.

Sterling lost some 1 1/2 cents to close at \$1.5210 in London, and continued to drop in New York, finishing at \$1.5105. The last time the pound was seen at this low level was on January 15, 1987.

Yesterday, sterling dropped 3 1/2 pence against the D-Mark, ending at DM2.4150.

The market continues to be moved by a strong belief that Germany will ease short-term

credit policy in the new year, pushing the dollar upwards. The possible break-up of the Gatt talks is also being cited as a reason why the dollar may be boosted in the short-term.

A full-scale trade war between the US and Europe, if it is allowed to happen, would be detrimental to the entire world economy in the long run. But Mr Jeremy Hawkins, senior economic adviser at Bank of America in London, points out that the relative insulation of the US economy on matters of trade makes the Gatt crisis a positive factor for the dollar.

In the US economy, for example, only 10 per cent of Gross National Product is made up of imports and exports. In France's case, the figure is 20 to 25 per cent.

Mr Hawkins further commented: "If tariffs are levied against, say, the French wine industry, this could have a knock-on effect for the econ-

omy and the French franc."

For the moment the market is waiting on developments in Europe and the US. Indeed, the French franc yesterday was firmer against the D-Mark after the Bank of France decided not to cut its money market intervention rate, contrary to market expectations. It finished at FF3.3810 per D-Mark, after a previous close of FF3.3820.

Ms Joanne Perez, an economist at Banque Indosuez in Paris, said yesterday that the French authorities could probably afford to reduce rates again without risking any downside on the currency.

"A cut in rates would confirm that France is part of the hard core of the exchange rate mechanism, and would be interpreted as a show of strength," she said. However, she believes it is unlikely that the French authorities will cut rates to below the German level, in spite of public pressure to do so.

## EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Central Bank	% Change	% Spread	Divergence
Belgium	41.947	40.424	-3.50	4.77	40
France	2.29179	2.29179	-	-	-
Germany	2.29179	2.29179	-	-	-
Italy	2.29179	2.29179	-	-	-
Netherlands	2.29179	2.29179	-	-	-
Portugal	2.29179	2.29179	-	-	-
Spain	2.29179	2.29179	-	-	-
Greece	2.29179	2.29179	-	-	-
Ireland	2.29179	2.29179	-	-	-
UK	2.29179	2.29179	-	-	-
Finland	2.29179	2.29179	-	-	-
Sweden	2.29179	2.29179	-	-	-
Austria	2.29179	2.29179	-	-	-
Switzerland	2.29179	2.29179	-	-	-

Eu capital rates set by the European Commission. Currencies are in descending order of strength. Percentage change in the Eu capital rate since the last week. Difference between the rate between two currencies. The percentage difference between the actual and the Eu capital rate for a currency, and the maximum permitted percentage deviation of the currency's market rate from the Eu capital rate.

Source: European Commission. Data as of October 29, 1992. Adjusted according to Financial Times.

## £ IN NEW YORK

	Nov 9	Nov 8	Nov 7	Nov 6
1 month	1.5100-1.5110	1.5090-1.5095	1.5085-1.5090	1.5080-1.5085
3 months	1.5085-1.5090	1.5075-1.5080	1.5070-1.5075	1.5065-1.5070
6 months	1.5070-1.5075	1.5060-1.5065	1.5055-1.5060	1.5050-1.5055
12 months	1.5055-1.5060	1.5045-1.5050	1.5040-1.5045	1.5035-1.5040

Forward premiums and discounts apply to the US dollar.

## STERLING INDEX

	Nov 9	Nov 8	Nov 7	Nov 6
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5
100	78.5	78.5	78.5	78.5

## CURRENCY RATES

	Nov 9	Nov 8	Nov 7	Nov 6
US Dollar	1.5210	1.5210	1.5210	1.5210
Japanese Yen	100	100	100	100
Swiss Franc	1.5210	1.5210	1.5210	1.5210
French Franc	1.5210	1.5210	1.5210	1.5210
German Mark	1.5210	1.5210	1.5210	1.5210
Italian Lira	1.5210	1.5210	1.5210	1.5210
Spanish Peseta	1.5210	1.5210	1.5210	1.5210
Portuguese Escudo	1.5210	1.5210	1.5210	1.5210
Greek Drachma	1.5210	1.5210	1.5210	1.5210
Irish Punt	1.5210	1.5210	1.5210	1.5210
Belgian Franc	1.5210	1.5210	1.5210	1.5210
Dutch Guilder	1.5210	1.5210	1.5210	1.5210
Austrian Schilling	1.5210	1.5210	1.5210	1.5210
Swedish Krona	1.5210	1.5210	1.5210	1.5210
Finland Markka	1.5210	1.5210	1.5210	1.5210
Polish Zloty	1.5210	1.5210	1.5210	1.5210
Czech Koruna	1.5210	1.5210	1.5210	1.5210
Slovak Koruna	1.5210	1.5210	1.5210	1.5210
Hungarian Forint	1.5210	1.5210	1.5210	1.5210
Romanian Leu	1.5210	1.5210	1.5210	1.5210
Bulgarian Lev	1.5210	1.5210	1.5210	1.5210
Serbian Dinar	1.5210	1.5210	1.5210	1.5210
Croatian Kuna	1.5210	1.5210	1.5210	1.5210
Slovenian Tolar	1.5210	1.5210	1.5210	1.5210
Czech Koruna	1.5210	1.5210	1.5210	1.5210
Slovak Koruna	1.5210	1.5210	1.5210	1.5210
Hungarian Forint	1.5210	1.5210	1.5210	1.5210
Romanian Leu	1.5210	1.5210	1.5210	1.5210
Bulgarian Lev	1.5210	1.5210	1.5210	1.5210
Serbian Dinar	1.5210	1.5210	1.5210	1.5210
Croatian Kuna	1.5210	1.5210	1.5210	1.5210
Slovenian Tolar	1.5210	1.5210	1.5210	1.5210

Source: Reuters. All rates are for New York.

## CURRENCY MOVEMENTS

	Nov 9	Nov 8	Nov 7	Nov 6
US Dollar	1.5210	1.5210	1.5210	1.5210
Japanese Yen	100	100	100	100
Swiss Franc	1.5210	1.5210	1.5210	1.5210
French Franc	1.5210	1.5210	1.5210	1.5210
German Mark	1.5210	1.5210	1.5210	1.5210
Italian Lira	1.5210	1.5210	1.5210	1.5210
Spanish Peseta	1.5210	1.5210	1.5210	1.5210
Portuguese Escudo	1.5210	1.5210	1.5210	1.5210
Greek Drachma	1.5210	1.5210	1.5210	1.5210
Irish Punt	1.5210	1.5210	1.5210	1.5210
Belgian Franc	1.5210	1.5210	1.5210	1.5210
Dutch Guilder	1.5210	1.5210	1.5210	1.5210
Austrian Schilling	1.5210	1.5210	1.5210	1.5210
Swedish Krona	1.5210	1.5210	1.5210	1.5210
Finland Markka	1.5210	1.5210	1.5210	1.5210
Polish Zloty	1.5210	1.5210	1.5210	1.5210
Czech Koruna	1.5210	1.5210	1.5210	1.5210
Slovak Koruna	1.5210	1.5210	1.5210	1.5210
Hungarian Forint	1.5210	1.5210	1.5210	1.5210
Romanian Leu	1.5210	1.5210	1.5210	1.5210
Bulgarian Lev	1.5210	1.5210	1.5210	1.5210
Serbian Dinar	1.5210	1.5210	1.5210	1.5210
Croatian Kuna	1.5210	1.5210	1.5210	1.5210
Slovenian Tolar	1.5210	1.5210	1.5210	1.5210

Source: Reuters. All rates are for New York.

## OTHER CURRENCIES

	Nov 9	Nov 8	Nov 7	Nov 6
US Dollar	1.5210	1.5210	1.5210	1.5210
Japanese Yen	100	100	100	100
Swiss Franc	1.5210	1.5210	1.5210	1.5210
French Franc	1.5210	1.5210	1.5210	1.5210
German Mark	1.5210	1.5210	1.5210	1.5210
Italian Lira	1.5210	1.5210	1.5210	1.5210
Spanish Peseta	1.5210	1.5210	1.5210	1.5210
Portuguese Escudo	1.5210	1.5210	1.5210	1.5210
Greek Drachma	1.5210	1.5210	1.5210	1.5210
Irish Punt	1.5210	1.5210	1.5210	1.5210
Belgian Franc	1.5210	1.5210	1.5210	1.5210
Dutch Guilder	1.5210	1.5210	1.5210	1.5210
Austrian Schilling	1.5210	1.5210	1.5210	1.5210
Swedish Krona	1.5210	1.5210	1.5210	1.5210
Finland Markka	1.5210	1.5210	1.5210	1.5210
Polish Zloty	1.5210	1.5210	1.5210	1.5210
Czech Koruna	1.5210	1.5210	1.5210	1.5210
Slovak Koruna	1.5210	1.5210	1.5210	1.5210
Hungarian Forint	1.5210	1.5210	1.5210	1.5210
Romanian Leu	1.5210	1.5210	1.5210	1.5210
Bulgarian Lev	1.5210	1.5210	1.5210	1.5210
Serbian Dinar	1.5210	1.5210	1.5210	1.5210
Croatian Kuna	1.5210	1.5210	1.5210	1.5210
Slovenian Tolar	1.5210	1.5210	1.5210	1.5210

Source: Reuters. All rates are for New York.

## MONEY MARKETS

## UK prices in cuts

WITH ONLY three days to go to the British government's Autumn Statement, traders in the sterling cash market priced a full percentage point cut in base rates into their cash market operations yesterday, writes James Blitz.

However, futures contracts in sterling and other European currencies fell back on a mixture of profit-taking and slight disappointment that there had been no easing of official credit policy in the UK and France.

The Bank of France did not change the money market intervention rate, currently standing at 9.35 per cent, in yesterday's securities repurchase operation.

The sterling cash market was again hit by the liquidity problem that affects the market when there is a high expectation of interest rate cuts.

The Bank of England forecast a shortage of £500m at the start of operations, but only £51m was removed in the early round. Traders were unwilling to offer bills in the run-up to what one commercial bank dealer called "the most publicised rate reduction in the history of mankind".

In the morning, the one-month cash rate was trading

well below the Bank's established rate for a 21-day repo, explaining the market's reluctance to offer bills. The overnight rate peaked at 15 per cent.

Once this level had been reached, dealers were happy to borrow cash from the Bank at established rates, and lend on the "overnight". This brought out more bills in the afternoon, although there was late assistance of £400m.

Three-month money closed at 7 1/2 per cent offered, down from Friday's 7 3/4 per cent. One dealer did not rule out the possibility that three-month money could go below 7 per cent before Thursday.

The December short sterling contract, which expires on December 16, fell back 14 basis points from its opening level to close at 93.60.

This can still price in a 200 basis-point fall in base rates before the year's end, and the decline reflected slightly gloomier sentiment across the world rather than any creeping bearishness in UK markets.

One commercial bank dealer said the price adjustments were due to a rise in 3-month dollar cash rates to 8 1/4 per cent, compared to the Fed Funds rate of 3 per cent.

Tighter US conditions preceded this week's big Treasury Bond issues, which are expected to show a rise in yields.

## FT LONDON INTERBANK FIXING

	Nov 9	Nov 8	Nov 7	Nov 6
US Dollar	1.5210	1.5210	1.5210	1.5210
Japanese Yen	100	100	100	100
Swiss Franc	1.5210	1.5210	1.5210	1.5210
French Franc	1.5210	1.5210	1.5210	1.5210
German Mark	1.5210	1.5210	1.5210	1.5210
Italian Lira	1.5210	1.5210	1.5210	1.5210
Spanish Peseta	1.5210	1.5210	1.5210	1.5210
Portuguese Escudo	1.5210	1.5210	1.5210	1.5210
Greek Drachma	1.5210	1.5210	1.5210	1.5210
Irish Punt	1.5210	1.5210	1.5210	1.5210
Belgian Franc	1.5210	1.5210	1.5210	1.5210
Dutch Guilder	1.5210	1.5210	1.5210	1.5210
Austrian Schilling	1.5210	1.5210	1.5210	1.5210
Swedish Krona	1.5210	1.5210	1.5210	1.5210
Finland Markka	1.5210	1.5210	1.5210	1.5210
Polish Zloty	1.5210	1.5210	1.5210	1.5210
Czech Koruna	1.5210	1.5210	1.5210	1.5210
Slovak Koruna	1.5210	1.5210	1.5210	1.5210
Hungarian Forint	1.5210	1.5210	1.5210	1.5210
Romanian Leu	1.5210	1.5210	1.5210	1.5210
Bulgarian Lev	1.5210	1.5210	1.5210	1.5210
Serbian Dinar	1.5210	1.5210	1.5210	1.5210
Croatian Kuna	1.5210	1.5210	1.5210	1.5210
Slovenian Tolar	1.5210	1.5210	1.5210	1.5210

Source: Reuters. All rates are for New York.

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

DOWN AGAINST THE POUND			
One month	% p.a.	Three months	
0.54-0.52pounds	4.18	1.25-1.22pounds	
0.11-0.08pounds	0.99	0.35-0.15pounds	
4-1/4cents	-1.93	14-1/4cents	
5-1/2cents	-1.69	20-24cents	
34-44cents	-5.12	94-107cents	
4-1/4pounds	9.17	2.08-1.93pounds	
235-285cents	-2.17	14-1/4cents	
108-110cents	-14.57	655-740cents	
	-7.31	300-325cents	
	-6.22		



## WORLD STOCK MARKET

[illegible]

## CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
4 pm Close November 9																	
Outstanding in cents unless marked \$																	
100 AdLib Pk	514	54	14			118000 Crowl St	521 1/2	20	21 1/2	+	50	300 Laurent Gp	56 1/2	51	51 1/2		
2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1100000 Laurent Gp	56 1/2	51	51 1/2		
2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2	51	51 1/2		
2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2	51	51 1/2		
2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2	51	51 1/2		
2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2	51	51 1/2		
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2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2	51	51 1/2		
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2000000 A	311 1/2	11 1/2				1000000 Crowl St	520	20	21 1/2	+	50	1500000 Laurent Gp	56 1/2				

**MONTREAL**

4 pm close November 9					
85700	Bombardier	\$12 1/2	11 1/2	11 1/2	- 1/2
40000	Cambiar	\$12 1/2	11 1/2	11 1/2	- 1/2
28500	Comstock	\$12 1/2	11 1/2	11 1/2	- 1/2
9000	Clan	\$12 1/2	11 1/2	11 1/2	- 1/2
24600	Cascades	\$7 3/4	7 3/4	7 3/4	- 1/2
2300	Dominat A	\$7	7	7	- 1/2
3600	Maclean/H	\$12 1/2	12	12	- 1/2
87900	Nat'l Can A	6 1/2	6 1/2	6 1/2	- 1/2
900	Orbita	\$16 1/2	16 1/2	16 1/2	- 1/2
100800	Telegraphs	\$12 1/2	12 1/2	12 1/2	- 1/2
2700	Univis	\$7 1/2	7 1/2	7 1/2	- 1/2
1800	Videotape	\$18	15 1/2	15 1/2	- 1/2
Total Sales \$1,652,200 shares					

## INDICES

NEW YORK DOW JONES												
	Nov 9	Nov 6	Nov 3	Nov 4	1992		Since completion				1992	
					HIGH	LOW	HIGH	LOW			HIGH	LOW
Industrials	3240.87	3040.06	3054.94	3223.04	3413.21	3136.38	3413.21	3132				
Finance	101.84	101.49	101.93	102.18	101.84	101.49	101.84	101.49				
Transport	1387.95	1387.36	1380.31	1368.57	1452.88	1368.57	1452.88	1368.57				
Utilities	216.20	217.51	216.76	217.89	220.05	216.76	220.05	216.76				
DJ Ind. Div. High 3559.05 (1984-1986) Low 3225.53 (1984-1986) Therapeutic High 101.84 (1984-1986) Low 101.49 (1984-1986)												
DJ Trans. Div. High 1452.88 (1984-1986) Low 1368.57 (1984-1986)												
DJ Util. Div. High 220.05 (1984-1986) Low 216.76 (1984-1986)												
DJ Fin. Div. High 101.84 (1984-1986) Low 101.49 (1984-1986)												
DJ Ind. Div. High 3559.05 (1984-1986) Low 3225.53 (1984-1986)												
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DJ Ind. Div. High 3559.05 (1984-1986) Low 3225.53 (1984-1986)												
DJ Trans. Div. High 1452.88 (1984-1986) Low 1368.57 (1984-1986)												
DJ Util. Div. High 220.05 (1984-1986) Low 216.76 (19												

## NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Scot Tech	4,777,200	22½	- 84
Pacificorp	2,920,100	18½	- ½
Walt Disney	2,297,500	40½	+ ½
Block	2,280,700	42	- 1
AM T & T	2,217,400	44½	- ½
IBM	2,211,800	67½	+ 13
Gen Motors	2,128,200	31	+ ½
Telecom	1,787,100	52½	+ ½
Philip Morris	1,573,500	77	- 1
Diageo Ltd	1,566,200	9	- 64

## TRADING ACTIVITY

↑ Volume	Millions		
	Nov 9	Nov 8	Nov 7
New York SE	197,490	204,870	219,410
Amex	13,455	12,765	14,410
NASDAQ	(a)	229,153	236,810
NYSE			
Issues Traded	2,400	2,350	2,350
Rises	980	902	902
Falls	857	873	873
Unchanged	563	575	575
New Highs	95	82	82
New Lows	57	39	39

**CANADA**  
**TORONTO**

	MON	TUE
Metals & Minerals	2694.85	2702.84
Composite	3295.76	3314.90
MONTRÉAL Portfolio	1740.80	1752.02

Base values of all indices are 100 except NY Toronto Composite and Metals - 1000. TSE 83, & Excluding bonds. † Industrial, plus U.S. Unavailable. ‡ The DJ Ind. Index theoretical and lowest prices reached during the day by (supplied by Telekurs) represent the highest day. (The figures in brackets are previous day.

51/5000

	NOV	HIGH	LOW
58	2742.64	3238.87 (16/1)	2603.82 (15/1)
76	3344.88	3666.09 (16/1)	3195.40 (14/1)
90	1769.06	1957.59 (16/1)	1663.16 (14/1)

### TOKYO - Most Active Stocks

	Stocks	Closing	Change		Stocks	Closing	Change
	Traded	Prices	on day		Traded	Prices	on day
Green Cross .....	5.1m	1,280	-60	Danki Kogyo .....	2.1m	880	-71
Alstair Seiko .....	4.4m	1,036	-70	Mitsui Mining .....	2.0m	441	-11
3M Mtl .....	3.8m	671	-28	Nippon Steel .....	1.9m	680	-36
Shinko .....	2.5m	307	-43	Sanki Seiko Chem ..	1.8m	475	-5
Okamoto .....	2.3m	958	-54	Mitsubishi Hyv .....	1.8m	506	-10

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Synchro	(11) 579 - 6482	578 - 9754
Durlar Chile Ltda	(2) 632 - 3037	632 - 4066

**FINANCIAL TIMES**

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO



4 pm close November 9

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	59
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## NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

## AMEX COMPOSITE PRICES

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